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State of Maryland

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 1988

The Maryland Federalist is a replica of the 15 foot vessel built in 1788 as a gift to General George Washington from the people of Maryland, recognizing Maryland's position as the seventh and crucial state to ratify the United States Constitution.

The 63 Marylanders who voted for ratification also gave a priceless gift to posterity and to the people of Maryland. They had two copies of the constitution penned, one to send to congress and one to keep. Because of their foresight, Maryland is the only state to have the original constitution it ratified, complete with the signers' names.

Allan G. Kenzie, Governor William Donald Schaefer, Comptroller Louis L. Goldstein, and Delegate Richard Dixon examined the document as it was unveiled for public display.

STATE OF MARYLAND

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for the year ended June 30, 1988

PREPARED

by the State Comptroller's Office

Louis L. Goldstein

Comptroller of the Treasury of Maryland

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

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STATE OF MARYLAND
SELECTED STATE OFFICIALS

EXECUTIVE

William Donald Schaefer
Governor

Melvin A. Steinberg
Lieutenant Governor

Louis L. Goldstein
Comptroller

J. Joseph Curran, Jr.
Attorney General

Lucille Maurer
Treasurer

JUDICIAL

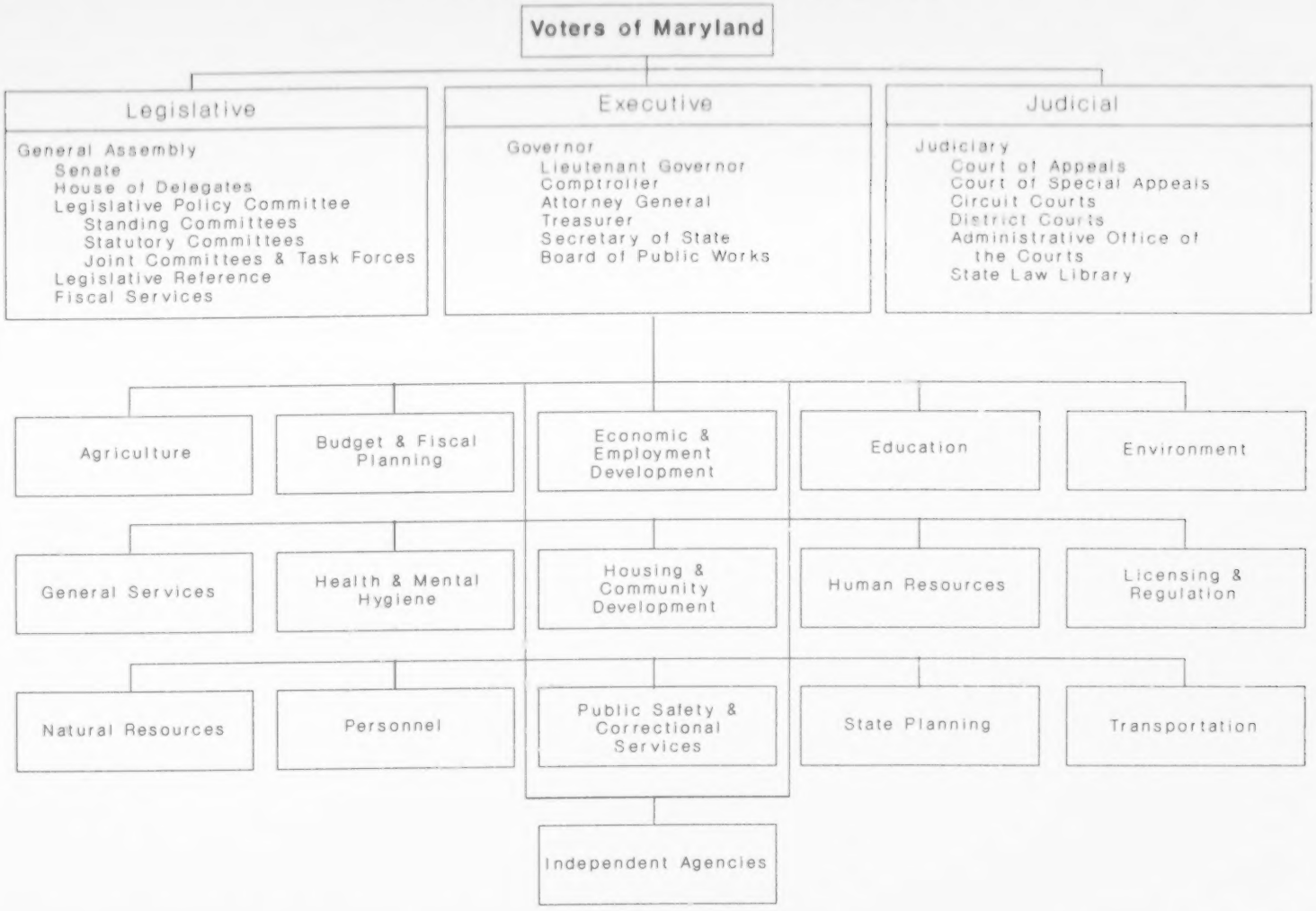
Robert C. Murphy
Chief Judge
Court of Appeals of Maryland

LEGISLATIVE

Thomas V. M. Miller, Jr.
President of the Senate
(47 Senators)

R. Clayton Mitchell, Jr.
Speaker of the House of Delegates
(141 Delegates)

MARYLAND STATE GOVERNMENT



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 1987

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Louis L. Goldstein
Maryland State Comptroller

LOUIS L. GOLDSTEIN
COMPTROLLER OF THE TREASURY
LOUIS L. GOLDSTEIN TREASURY BUILDING
P.O. BOX 466
ANNAPOLIS, MARYLAND 21404-0466
301-974-3801

October 31, 1988

Honorable Members of the General
Assembly and the Governor
State of Maryland

INTRODUCTION

The Comprehensive Annual Financial Report of the State of Maryland, for the fiscal year ended June 30, 1988, submitted herewith includes financial statements of the State of Maryland as well as information required by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the Comptroller. I believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the State's financial affairs have been included.

This report is presented in three sections; introductory, financial, and statistical. The introductory section includes this transmittal letter, the State's organizational chart, and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The financial statements include the various departments, agencies and other organizational units governed by the General Assembly and/or constitutional officers of the State of Maryland. The following criteria was utilized to determine the entity for the State of Maryland: selection of governing authority, appointment of management, constitutional officers' ability to significantly influence operations and accountability for fiscal operations and scope of public service.

In addition to general government activities, the State exercises, or has the ability to exercise, oversight of the following organizations which are included in the State's financial statements:

Maryland Industrial Development Financing Authority
Maryland Housing Fund
Community Development Administration
Maryland Small Business Development Financing Authority
Maryland Food Center Authority
Maryland Transportation Authority
Maryland State Lottery
Maryland Environmental Service
State Use Industries

Maryland Higher Education Loan Corporation
Maryland Deposit Insurance Fund Corporation
Maryland Stadium Authority
Unemployment Insurance Program
Maryland State Accident Fund
Maryland Retirement and Pension Systems
University of Maryland System
St. Mary's College of Maryland
Morgan State University

The Maryland School for the Blind, Blind Industries and Services of Maryland, Maryland Health and Higher Education Facilities Authority, Maryland Automobile Insurance Fund, Maryland National Capital Park and Planning Commission, State Employees Credit Union, and the Maryland Credit Union Insurance Corporation have not met the criteria for inclusion in the reporting entity, and accordingly, are excluded from this report.

ECONOMIC CONDITION AND OUTLOOK

Economic conditions are favorable and continued expansion is expected during 1988 and 1989, thus indicating favorable revenue prospects for the 1989 fiscal year. The unemployment rate for fiscal year 1988 declined when compared to fiscal year 1987 and is below the national average. Rising employment and income within the State should ensure that general fund revenues will grow at a rate consistent with budgeted general fund expenditures during the 1989 fiscal year.

To assist economic development and growth for the future, the State has initiated an Economic Development Opportunities Fund in 1989 to help assure commercial and industrial expansion.

MAJOR INITIATIVES

During the year, the State was able to finance many needed services and initiatives as a result of extra revenue made available primarily from income taxes resulting from the reform of the federal income tax structure, a one time tax amnesty program, and increases in the motor vehicle fuel tax rate and registration fees.

In an effort to provide tax relief to low and middle income taxpayers, some deductions and credits were enacted to the State's income tax structure which emulate the federal structure in order to reduce some of the future tax revenues that will result from higher adjusted gross income on tax returns. The increased revenues related to motor vehicles along with a proposed increase of registration fees in 1992 will generate sufficient revenue to allow the Department of Transportation to expand its capital spending for roads, ports, and airports by $1 billion and to share $313 million of transportation revenues with the local governments over the next five years with minimum reliance on new bond issues.

From September 1, 1987 to November 2, 1987, the State conducted a successful tax amnesty program. That program resulted in additional collections for the year in excess of $34.6 million, the majority of which were from individual and corporate income taxes. It also added hundreds of new taxpayers to the tax rolls, which broadens the tax base for future years and makes Maryland's tax system fairer for everyone.

The State was able to begin a major new initiative for the Action Plan for Educational Excellence which provides for the State to increase its percentage of total expenditures for elementary and secondary education. An expanded effort was made in the providing of health and human services and in the joint state, local, and private participation in the fight to help welfare recipients gain independence through permanent employment. Significant resources were also provided for improvements to public parks and recreational areas including replenishment of the ocean beaches. Resources were also accumulated to carry out Maryland's commitment to depositors whose funds were in savings and loan institutions that failed so that a final distribution can be pledged without the issuance of bonds.

For the future, the State has developed several new initiatives as well as a continuance of past initiatives. The State will continue its commitment to the Action Plan for Educational Excellence and its expansion of transportation related capital projects. The State has identified the need for new prison construction. The State plans to start this initiative in 1989 and projects a total price tag in current dollars, of $368 million over 11 years. Another major capital project initiative is the construction of two stadiums in the Camden Yards section of Baltimore City to house major league baseball and football events. The Baltimore Orioles baseball team has entered into a lease agreement with the Maryland Stadium Authority. The Authority is beginning the final design phase on the baseball stadium and property acquisition for the entire complex.

Other initiatives include the modernization of the State's MED-EVAC helicopter fleet, a new governance structure for higher education which will provide better coordination and utilization of the State's facilities and resources, a light rail express system to serve the high density region of our State, and funds to help AIDS victims through intensified education, counseling, and testing. Also, the State, in cooperation with its neighbors, is bolstering its efforts in the Chesapeake Bay clean-up and the implementation of conservation projects that will slow or eliminate pollutants entering this vital natural resource.

The State has made a commitment to economic development and has created an Economic Development Opportunities Fund, the Office of International Trade, and the Office of Technology Development to assist business growth. The State has pledged to complete the repayments to depositors who had funds in failed savings and loan institutions by the end of 1989.

FINANCIAL INFORMATION

The State has issued guidelines to its agencies for establishing an effective system of internal control. Internal control is the overall plan of organization and all the coordinate methods used to safeguard assets; ensure the reliability of the accounting data; promote efficient operations and ensure compliance with established governmental policies, laws, regulations and contracts. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

As a recipient of federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This is accomplished through the internal control guidelines. Additionally, the State, excluding higher education institutions, is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U. S. Office of Management and Budget Circular A-128. The State's higher education institutions single audit is required under Circular A-110. Detail information related to these single audits are included in separate reports.

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally mandated budgetary fund structure but migration to a fund structure based on generally accepted accounting principles has begun starting with the higher education funds. Each state agency is provided appropriations at a program level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations.

Maryland maintains its accounts to conform to generally accepted accounting principles and also to comply with the legally mandated budget. Financial control is generally exercised under the budgetary system.

General Governmental Functions

Revenues of the general governmental functions (excluding capital projects) totaled $8,188,475,000 for the fiscal year ended June 30, 1988. This represents an increase of 9.3 percent over revenues for the fiscal year 1987. Income tax, the largest source of revenue, produced 32.7 percent of general governmental revenues compared to 33.7 percent last year. The revenues from various sources and the changes from last year are shown in the following tabulation (amounts expressed in thousands):

Revenue Source	Amount	Percent of Total	Increase (Decrease) Over 1987 Actual Amount	Percent
Income taxes	$2,676,213	32.7%	$191,521	7.7%
Retail sales and use taxes	1,423,585	17.4	121,122	9.3
Motor vehicle taxes and fees	948,408	11.6	153,462	19.3
Other taxes	823,790	10.0	72,709	9.7
Other licenses and fees	111,453	1.4	9,168	9.0
Charges for services	353,270	4.3	68,287	24.0
Interest and other investment income	90,036	1.1	24,600	37.6
Other	182,967	2.2	8,133	4.7
Gain on defeasance of transportation bonds			(39,543)	(100.0)
Federal revenue	1,578,753	19.3	89,585	6.1
Total	$8,188,475	100.0%	$699,044	9.3%

Of the total income tax revenue for fiscal year 1988, $2,417,860,000 was produced by the individual income tax and $258,353,000 by the corporate income tax, representing increases of $171,094,000 and $20,427,000, respectively, compared to the prior year. The increase in individual income tax revenues of 2.6 percent over the prior year is attributable to population growth, and a higher personal income level for the State's taxpayers. The increase in the corporate income tax revenues of 8.6 percent from the prior year is attributable to the improvement in the national economy.

The retail sales and use taxes increased $121,122,000 or 9.3 percent over the previous year which is also attributable to the improvement in the national economy.

The motor vehicle taxes and fees increased $153,462,000 or 19.3 percent over the previous year. The increase was due to a rise in the motor vehicle fuels tax rate from 13½¢ to 18½¢ per gallon and an increase of approximately 35 percent in motor vehicle registration fees.

Revenues from charges for services increased $68,287,000 or 24.0 percent over 1987. This increase resulted primarily from revenues earned by the Department of Human Resources from local governments for their participation in welfare assistance programs. These earnings were recorded as reductions of expenditures in prior years.

Interest and other investment income increased $24,600,000 or 37.6 percent over the previous year which resulted from an increase in the amounts available for investment during the year.

Changes in levels of expenditures for major functions from the previous year (excluding capital projects) are shown in the following tabulation (amounts expressed in thousands):

Function	Amount	Percent of Total	Increase (Decrease) Over 1987 Actual Amount	Percent
Current:				
General government	$ 410,519	5.3%	$144,268	54.2%
Education	1,759,450	22.5	137,653	8.5
Economic and employment development	113,605	1.5	113,605	100.0
Human resources	669,341	8.6	(11,067)	(1.6)
Health and mental hygiene	1,609,327	20.5	41,915	2.7
Environment	37,140	.5	37,140	100.0
Transportation	537,686	6.9	51,135	10.5
Public safety and judicial	559,804	7.2	23,537	4.4
Housing and community development	52,273	.7	12,383	31.0
Natural resources and recreation	98,541	1.3	4,287	4.5
Agriculture	30,626	.4	(827)	(2.6)
Personnel and retirement			(21,773)	(100.0)
Intergovernmental	631,162	8.1	79,366	14.4
Debt service	435,886	5.6	(8,193)	1.8
Capital outlays for transportation	856,738	10.9	130,393	18.0
Total	$7,802,098	100.0%	$733,822	10.4%

The State reorganized some of its functions during the 1988 fiscal year resulting in a reclassification of expenditure data for some categories. The Juvenile Services Administration and its institutions were removed from health and mental hygiene and placed under the executive department which is included in the general government category. Functions relating to the environment were placed under a new Department of Environment which were primarily under health and mental hygiene. Functions relating to economic development, formerly under the Department of Economic and Community Development, were merged with the former Department of Employment and Training to create the new Department of Economic and Employment Development. As a result, expenditures for economic and employment development which were included as part of human resources are now shown as a separate category. The remaining functions under the Department of Economic and Community Development remained under the newly named Department of Housing and Community Development which is shown as a separate category.

Beginning in fiscal year 1988, the general government category includes expenditure data formerly categorized as personnel and retirement.

After excluding the changes for the above, other changes in expenditures for 1988 when compared to 1987 were as follows:

Expenditures for housing and community development increased $12,383,000 or 31.0 percent over 1987 primarily due to the initiation of the State weatherization program.

Expenditures for capital outlays for transportation increased $130,393,000 or 18.0 percent over 1987 which is primarily attributable to the construction of new highways resulting from the additional fuel tax and vehicle registration revenue increase.

Operating transfers in from the capital projects fund and enterprise funds (State Lottery and Higher Education Loan Corporation) totaled $2,847,000 and $337,107,000 respectively. This represents an increase of $4,873,000 over the previous year. Operating transfers out to the capital projects fund, enterprise funds, and higher education funds totaled $535,189,000 for an increase of $45,928,000 over the preceding year.

The general fund unreserved fund balance at June 30, 1988 was $544,855,000 which represents an increase of $202,997,000 over the previous year's balance. This improvement was the result of revenues exceeding estimates and expenditures being less than appropriated.

Management of financial resources is exercised through the legally mandated budgetary system of the State. The budgetary system produced a positive general fund balance at June 30, 1988. For information on differences between GAAP and the budgetary system, see footnote 3 to the financial statements.

The special revenue unreserved fund balance of $102,205,000 decreased $34,251,000 from the preceding year primarily because of the capital outlays. The debt service unreserved fund balance of $149,270,000 increased $11,942,000 over the prior year. This increase is occurring to meet future debt requirements.

Capital Projects Fund

Proceeds of general obligation bond issues are accounted for in the capital projects fund. Completed projects and uncompleted construction in progress at year end which are assets of the State are capitalized in the general fixed assets account group, the appropriate enterprise fund for self-supporting projects or the higher education fund. During fiscal year 1988, state projects costing $211,185,000, were completed. State grants for capital projects of local governments and other public organizations amounted to $153,093,000 in the fiscal year, an increase of $14,369,000 over 1987.

Authorized but unissued general obligation bonds at June 30, 1988 totaled $870,499,000.

General Fixed Assets

The general fixed assets of the State are those used in the performance of general governmental functions and exclude the fixed assets of the proprietary fund type, fiduciary fund types and the higher education fund. As of June 30, 1988, the general fixed assets of the State amounted to $3,725,321,000. This amount represents the actual or estimated cost of the assets. Depreciation of general fixed assets is not recognized in the State's accounting system. Infrastructure assets, consisting principally of highways, roads and bridges are not recorded in the general fixed assets.

Enterprise, Fiduciary, and Higher Education Funds

All enterprise funds with the exception of Maryland Deposit Insurance Fund Corporation reported retained earnings for the year ended June 30, 1988. The Economic Development Loan Programs and the Maryland State Lottery reported a decline in retained earnings during the year. Overall retained earnings for enterprise funds increased during 1988 by $49,722,000 as compared to a decline of $78,658,000 in 1987.

Fiduciary fund types include expendable and nonexpendable trust funds, pension trust fund, and agency funds. Agency funds are custodial in nature and do not report fund balances. All other fiduciary fund types reported fund balances of $8,832,204,000 at June 30, 1988, as compared to $6,823,680,000 at June 30, 1987.

The Maryland Retirement and Pension Systems (System) was established to provide pension benefits for State employees, the employees of the University of Maryland Medical System (a private, nonprofit, nonstock corporation) and employees of 98 participating municipal corporations within the State. The operations of the System improved dramatically during 1988. In October, 1987, the System sold equity and fixed investments. New fixed income securities were purchased so that interest income and the proceeds from the investments upon maturity would match the projected benefit payments for all retired members (excluding retirees of participating municipalities) as of June 30, 1987. This resulted in a gain of $961,800,000 for the System. The annual actuarial valuation continues to reflect a positive trend in the government's and employees' funding of the System.

The total fund balance for the higher education fund was $1,414,086,000 at June 30, 1988, as compared to $1,285,332,000 at June 30, 1987.

Debt Administration

The ratio of net bonded debt to assessed property value and the amounts of bonded debt per capita are considered to be useful indicators of the State's debt position to State management, citizens and investors. Data for fiscal years 1987 and 1988 are shown as follows:

	Amount (expressed in thousands)	Ratio of Net Bonded Debt to Assessed Value (50.7% of Present Market)	Ratio of Debt to Present Market Value	Bonded Debt Per Capita
General obligation bonds:				
1987	$2,030,415	2.78%	1.41%	$454.84
1988	2,090,820	2.60	1.32	462.57

Additionally, outstanding limited obligation bonds of the Department of Transportation amounted to $388,900,000 at June 30, 1988. Debt service on these bonds is provided principally by excise taxes levied by statute. Self-supporting revenue bonds outstanding at June 30, 1988 were $1,890,052,000. Long-term obligations for accrued retirement costs of $444,783,000 represent the excess of retirement costs over retirement expenditures since 1978 and are being funded on a long-term basis through annual contributions, principally from general fund revenue. Long-term obligations for accrued annual leave of $93,808,000 represent the value of accumulated earned but unused annual leave for general government employees at June 30, 1988.

In 1978, the Capital Debt Affordability Committee was created to study the State's debt structure and to recommend maximum limitations on annual debt authorizations. Although the recommendations of the Committee are not binding on the State's General Assembly, the amounts of annual general obligation bond authorizations for 1988 were within the limits established by the Committee. For the fiscal year 1988, new general obligation bond authorizations amounted to $254,178,000.

The following tabulation shows the general obligation bonds issued during the past three fiscal years:

State of Maryland—General Obligation Bonds

Date of Issue	Amount	Average Life in Years	Effective Interest Rate	Interest Cost Per Borrowed Dollar
March 1, 1986	$124,585,000	10.2	6.50%	65.1¢
July 15, 1986	164,645,000	9.9	6.68	66.0
July 9, 1987	144,860,000	9.8	6.44	63.1
January 7, 1988	80,000,000	9.9	6.78	67.2
May 17, 1988	80,000,000	9.9	6.49	64.3

Since June 30, 1983, general obligation bonds outstanding have declined by $319,070,000.

Maryland's general obligation bonds have been rated Aaa by Moody's Investors Service and AAA by Standard and Poor's for a number of years.

Additionally, limited obligation bonds issued by the Department of Transportation and self-supporting revenue bonds issued by enterprise agencies amounted to $18,255,000 and $372,815,000, respectively, during 1988.

Cash Management

During the year, temporary surpluses of cash in general governmental funds were invested in repurchase agreements and U.S. Treasury and agency obligations with maturities ranging from one to 181 days and in time deposits ranging from 180 to 365 days. As of June 30, 1988, the State's cash resources for general governmental funds were invested as follows: in repurchase agreements, 85.9 percent; in U.S. Treasury and agency obligations, 13.8 percent; and in certificates of deposit and other, 0.3 percent. The average yield on maturing investments during the year was 7.0 percent, as compared to 6.4 percent in the prior year, and the amount of interest received was $90,441,000, which was $25,005,000 more than the previous year.

Risk Management

The State is involved in legal proceedings, which normally occur in government operations. Such proceedings, in the opinion of the Attorney General, are not likely to have a material adverse impact on the financial position of the State's funds, with the possible exception of litigation pertaining to the savings and loan crisis, the outcome of which cannot presently be determined.

Shortly after the savings and loan crisis, the State enacted legislation which created the Maryland Deposit Insurance Fund Corporation (MDIFC), an agency of the State, and required savings accounts of all associations operating in the State to be insured by either MDIFC or FSLIC. Six of the associations are currently in receivership, one of which was acquired by a bank in 1986 which will share in certain gains or losses with the receivership in 1989. If the receivership fails to make any required payment to the bank, MDIFC will make the required payment and become subrogated to the bank's claim against the receivership. The State has pledged to repay depositors who had funds in these failed associations by the end of 1989. It is attempting to do this through the liquidation of the associations' assets, from funds received through legal settlements, and through increased general fund appropriations; all in lieu of selling general obligation bonds.

In addition, the State is very active in the management of its fleet safety program, and its various inspection services pertaining to property, plant, and equipment.

OTHER INFORMATION

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller of the Treasury's records, by the Legislative Auditor at least every two years. The Legislative Auditor is required to be and is a certified public accountant. The Legislative Auditor makes fiscal, compliance and performance audits of the various agencies and departments of the State and issues a separate report covering each of those audits. Although certain of those reports include presentations of detailed financial data and contain expressions of opinion thereon, the audits are usually not made for that purpose. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

Additionally, my office requires an examination of the State's general purpose financial statements by a firm of independent certified public accountants selected by an audit committee composed of members from the Executive and Legislative branches of State government. This requirement has been complied with, and the opinion of Touche Ross & Co. has been included in the financial section of this report. Touche Ross & Co. also performs audits to meet the requirements of the federal Single Audit Act of 1984, OMB Circular A-128, and OMB Circular A-110; such information being contained in other reports.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its comprehensive annual financial report for the fiscal year ended June 30, 1987.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

I will be pleased to furnish additional information on the State's finances upon request.

Cordially yours,

Louis L. Goldstein
Comptroller of the Treasury
of Maryland

FINANCIAL SECTION

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World Trade Center
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Baltimore, MD 21202-3015
Telephone: 301-659-6100

Touche Ross

October 31, 1988

The Honorable Louis L. Goldstein
Comptroller of the Treasury of Maryland

We have examined the general purpose financial statements of the State of Maryland as of and for the year ended June 30, 1988, as listed in the Table of Contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the loan insurance programs and two loan programs of the Maryland Departments of Housing and Community Development and Economic and Employment Development, Maryland Food Center Authority, Maryland Transportation Authority, Maryland State Lottery, Maryland Stadium Authority and Maryland Higher Education Loan Corporation, which statements reflect total assets, revenues and expenses constituting 90 percent, 96 percent and 92 percent, respectively, of the related combined totals for Enterprise Funds. These statements were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the above mentioned units, is based only upon the reports of other auditors.

As discussed more fully in Note 15 to the financial statements, the State of Maryland Deposit Insurance Fund Corporation (MDIFC), an agency of the State, insures member savings and loan associations' savings deposits. At June 30, 1988, the financial statements of MDIFC reflect a deficiency in assets of $190,653,000 after accrual for estimated losses on insured savings deposits of $400,000,000. Any State funding of actual losses on insured deposits in excess of MDIFC's resources is dependent upon future legislative action. In addition, MDIFC is a party to several lawsuits, the outcome of which cannot presently be determined. As a result, the ultimate outcome of the savings and loan situation cannot be determined at this time. We have examined the financial statements of MDIFC as of June 30, 1988 (not separately presented herein but included in the combined Proprietary Fund Type financial statements) and in our report dated October 6, 1988, we expressed an opinion subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainties discussed in the preceding sentences been known.

In our opinion, based upon our examination and the reports of other auditors, the general purpose financial statements referred to above present fairly the financial position of the State of Maryland at June 30, 1988, and the results of its operations and the changes in financial position of its Enterprise Funds, Nonexpendable Trust Fund and Pension Trust Fund for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and to meet legal reporting requirements and are not a required part of the general purpose financial statements of the State of Maryland. Except for the Schedules of Estimated Revenues and General, Special, Federal, Current Unrestricted and Current Restricted Fund Appropriations-Budgetary Basis for the year ending June 30, 1989 (pages 78 and 79), the information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

The other data included in this report have not been audited by us and, accordingly, we express no opinion on such data.

Touche Ross & Co.

Certified Public Accountants

Touche Ross International

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GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF MARYLAND

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 1988

(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups			
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	Higher Education	Total (Memorandum Only)
Assets:										
Cash and short-term investments	$ 471,173	$170,133	$ 19,837	$ 93,307	$ 710,700	$ 396,041			$ 158,203	$ 2,019,394
Investments	88,427	16,636	81,602	35,259	381,917	8,688,615			65,132	9,357,588
Amount on deposit with U. S. Treasury						570,024				570,024
Taxes receivable, net	392,727	51,162	3,359			55,861				503,109
Intergovernmental receivables	193,281	132,471			4,974				27,459	358,185
Tuition, net									14,957	14,957
Other accounts receivable	43,161	23,354	1,362	315	35,525	26,042			991	130,750
Due from other funds	44,349		717			153,959				199,025
Inventories					3,759	105			12,821	16,685
Loans and notes receivable, net	3,309		62,404	13,072	1,207,412				30,809	1,317,006
Loans to other funds	1,945		10,170							12,115
Property, plant and equipment, net					1,765,281	2,002	$3,725,321		1,437,076	6,929,680
Restricted assets					121,721					121,721
Deposits					189,962					189,962
Other assets	20,114				51,455				2,601	74,170
Amounts available in debt service fund for retirement of:										
General obligation bonds								$ 65,078		65,078
Transportation bonds								84,192		84,192
Amounts to be provided for:										
Retirement of general obligation bonds								2,025,742		2,025,742
Retirement of transportation bonds								304,708		304,708
Retirement of accrued retirement costs								444,783		444,783
Retirement of accrued annual leave								93,808		93,808
Retirement of obligations under capital leases								38,224		38,224
Total assets, amounts available and amounts to be provided for retirement of bonds and accrued retirement costs and accrued annual leave and obligations under capital leases	$1,258,486	$393,756	$179,451	$141,953	$4,472,706	$9,892,649	$3,725,321	$3,056,535	$1,750,049	$24,870,906
Liabilities:										
Accounts payable and accrued liabilities	$ 380,571	$159,440		$ 40,821	$ 49,667	$ 14,144			$ 87,020	$ 731,663
Due to other funds	153,959	2,298			32,519	10,249				199,025
Accounts payable to political subdivisions and local income tax refunds	67,176	126,579				454,560				648,315
Lottery prizes					166,575					166,575
Accrued insurance and loan losses					408,316	248,500				656,816
Other liabilities					34,604	15,672				50,276

Deferred compensation benefits payable						292,782				292,782
Deferred revenue	2,436	2,000	$ 2,475		23,522	24,538			24,622	79,593
Loans from other funds					12,115					12,115
Capital notes					5,247					5,247
Notes payable					1,670					1,670
Matured bonds and interest coupons payable			10,188							10,188
Liabilities payable from restricted assets					23,696					23,696
Deferred federal income taxes					14,800					14,800
Revenue bonds and other notes payable					1,770,864				119,188	1,890,052
General obligation bonds payable								$2,090,820		2,090,820
Transportation bonds payable								388,900		388,900
Accrued retirement costs								444,783	59,726	504,509
Accrued annual leave								93,808		93,808
Obligations under capital leases								38,224	45,407	83,631
Total liabilities	604,142	290,317	12,663	40,821	2,543,595	1,060,445		3,056,535	335,963	7,944,481
Commitments and contingencies (Notes 15 18, and 19)										
Fund Equity:										
Investment in fixed assets							$3,725,321		1,327,900	5,053,221
Contributed capital					991,360					991,360
Capital deposits by members					144,224					144,224
Retained earnings:										
Reserved					108,662					108,662
Unreserved					684,865					684,865
Fund balances:										
Reserved for:										
Encumbrances	105,044	1,234		259,525						365,803
Loans and notes receivable	2,500		17,518							20,018
Loans to other funds	1,945									1,945
Shore erosion loan program				13,072						13,072
Pension benefits						8,119,720				8,119,720
Worker's compensation benefits						89,615				89,615
Unemployment compensation benefits						618,779				618,779
Unrealized market appreciation on investments						4,090				4,090
Higher education programs									36,712	36,712
Endowment and similar funds									38,476	38,476
Unreserved:										
Designated for:										
General long-term debt service			65,078							65,078
Transportation debt service			84,192							84,192
Agency activities	132,738	2,107								134,845
State reserve fund	103,449									103,449
Emergency medical services system		31,000								31,000
Undesignated (deficit)	308,668	69,098		(171,465)					10,998	217,299
Total fund equity	654,344	103,439	166,788	101,132	1,929,111	8,832,204	3,725,321		1,414,086	16,926,425
Total liabilities and fund equity	$1,258,486	$393,756	$179,451	$141,953	$4,472,706	$9,892,649	$3,725,321	$3,056,535	$1,750,049	$24,870,906

The accompanying notes to general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Combined Statement of Revenues, Expenditures, Other Sources and Uses of Financial Resources and Changes in Fund Balances

All Governmental Fund Types and Expendable Trust Fund

for the year ended June 30,1988

(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Types	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Income taxes	$2,676,213					$2,676,213
Retail sales and use taxes	1,423,585					1,423,585
Motor vehicle taxes and fees		$ 948,408				948,408
Other taxes	689,194		$134,596		$214,813	1,038,603
Other licenses and fees	111,453					111,453
Charges for services	192,411	160,859				353,270
Interest and other investment income	72,967	6,554	10,515	$ 405		90,441
Other	172,148	9,651	1,168	1,417		184,384
Federal revenue	1,147,100	431,653			17,995	1,596,748
Total revenues	6,485,071	1,557,125	146,279	1,822	232,808	8,423,105
Expenditures:						
Current:						
General government	410,519					410,519
Education	1,759,450					1,759,450
Economic and employment development	113,605				210,353	323,958
Human resources	669,341					669,341
Health and mental hygiene	1,609,327					1,609,327
Environment	37,140					37,140
Transportation		537,686				537,686
Public safety and judicial	559,804					559,804
Housing and community development	52,273					52,273
Natural resources and recreation	98,541					98,541
Agriculture	30,626					30,626
Intergovernmental	338,331	292,831		153,093		784,255
Debt service:						
Principal retirement			261,375			261,375
Interest			174,511			174,511
Capital outlays		856,738		72,286		929,024
Total expenditures	5,678,957	1,687,255	435,886	225,379	210,353	8,237,830
Excess (deficiency) of revenues over expenditures	806,114	(130,130)	(289,607)	(223,557)	22,455	185,275
Other sources (uses) of financial resources:						
Proceeds from capital leases	3,599	26,651				30,250
Proceeds from bonds		18,072		303,286		321,358
Operating transfers in	352,681	121,972	303,882	54,206		832,741
Operating transfers out	(896,115)	(72,706)	(4,950)	(29,635)		(1,003,406)
Net other sources (uses) of financial resources	(539,835)	93,989	298,932	327,857		180,943
Excess (deficiency) of revenues over expenditures and net other sources (uses) of financial resources	266,279	(36,141)	9,325	104,300	22,455	366,218
Fund balances (deficit), July 1, 1987,as previously stated	443,799	139,580	157,463	(3,168)	596,324	1,333,996
Adjustment (Note 3)	(55,734)					(55,734)
Fund balances (deficit), July 1, 1987, as restated	388,065	139,580	157,463	(3,168)	596,324	1,278,264
Fund balances, June 30, 1988	$ 654,344	$ 103,439	$166,788	$101,132	$618,779	$1,644,482

The accompanying notes to general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources, and Changes in Fund Balances – Budget and Actual – Budgetary General, Special, Federal, Current Unrestricted and Current Restricted Funds (Note 3) for the year ended June 30, 1988

(Expressed in Thousands)

	Budgetary Funds								
	General Fund			Special Fund			Federal Fund		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Income taxes	$2,501,031	$2,572,062	$ 71,031	$ 124,703	$ 119,989	$ (5,714)			
Retail sales and use taxes	1,408,922	1,423,585	14,663						
Other taxes	634,823	647,580	12,757	886,212	1,031,405	175,193			
Licenses and fees	56,225	105,461	49,236	143,435	163,644	20,009			
Charges for services	58,800	40,208	(18,592)	120,474	258,469	137,995			
Interest and other investment income	45,936	67,738	21,802	22,763	14,088	(8,675)			
Other	371,094	390,463	19,369	804,291	352,704	(451,587)			
Federal revenue	56,343	77,664	21,321		322	322	$1,702,480	$1,668,692	$ (33,788)
Total revenues	4,933,174	5,134,761	191,587	2,071,878	1,939,421	(132,457)	1,702,480	1,668,692	(33,788)
Expenditures and encumbrances by major function:									
Payments of revenue to civil divisions of the State	71,080	70,506	694	65,599	65,399	200			
Public debt	68,000	68,000		303,500	303,500				
Legislative	30,566	30,289	279	60	23	37			
Judicial review and legal	122,563	122,316	247	1,567	1,426	141	1,124	1,007	117
Executive and administrative control	137,416	136,068	1,348	4,041	3,649	392	26,550	24,615	1,935
Financial and revenue administration	156,183	154,193	1,990	34,543	33,080	1,463	1,476	1,403	73
Budgetary and fiscal administration	5,703	5,703		189	156	33			
Personnel administration, retirement and employee relations	10,313	9,636	677	13,386	11,301	2,085			
State planning	4,697	4,690	7	955	955		476	138	339
General services	60,981	60,981		1,279	795	484			
Transportation and highways				1,324,270	1,253,324	70,946	560,059	512,217	47,842
Natural resources and recreation	51,421	51,378	43	74,165	70,761	3,404	10,672	8,444	2,228
Agriculture	17,246	16,998	248	10,653	10,167	486	2,697	2,558	139
Health, hospitals and mental hygiene	1,105,868	1,104,949	939	57,966	38,023	19,943	473,435	469,102	4,323
Human resources	330,573	328,384	2,189	47,004	39,136	6,868	396,076	391,591	14,485
Licensing and regulation	25,530	25,529	1	15,053	6,634	8,419	3,231	3,069	162
Public safety and correctional services	439,168	435,983	3,185	42,890	42,799	91	4,203	2,502	1,701
Public education	2,158,902	2,154,725	4,177	31,796	30,752	1,044	226,941	215,266	11,675
Housing and community development	26,398	26,058	340	46,710	28,445	18,265	43,483	31,957	11,526
Economic and employment development	29,396	29,393	3	12,996	7,446	5,530	89,486	91,458	8,028
Environment	21,707	21,705	2	3,276	2,903	373	13,581	13,572	9
State reserve fund	30,000	30,000							
Reversions:									
Current year reversions	(15,000)		(15,000)						
Prior year reversions		(2,987)	2,987		(3,598)	3,598		(2,567)	2,567
Total expenditures and encumbrances	4,896,851	4,892,496	4,155	2,071,870	1,926,070	145,800	1,702,480	1,655,342	107,138
Changes in encumbrances during fiscal year 1988		(5,366)	5,366		(1,314)	1,314		(716)	716
Total expenditures	4,896,851	4,887,130	9,521	2,071,870	1,924,756	147,114	1,702,480	1,654,626	107,854
Excess (deficiency) of revenues over expenditures	36,323	237,631	201,108		14,657	14,657		14,066	14,066
Other sources (uses) of financial resources:									
Operating transfers in (out)	7,000	21,849	14,849		15,534	15,534		(14,066)	(14,066)
Excess (deficiency) of revenues over expenditures and other sources (uses) of financial resources	43,323	259,480	215,957		30,491	30,491			
Fund balances, July 1, 1987	298,245	298,245		405,398	405,398				
Fund balances, June 30, 1988	$ 341,768	$ 557,725	$215,957	$ 405,398	$ 435,889	$ 30,491	$ -0-	$ -0-	$ -0-

The accompanying notes to general purpose financial statements are an integral part of these financial statements.

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STATE OF MARYLAND

Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources, and Changes in Fund Balances – Budget and Actual – Budgetary General, Special, Federal, Current Unrestricted and Current Restricted Funds (Note 3) for the year ended June 30, 1988

(Expressed in Thousands)

	Budgetary Funds								
	Higher Education Funds						Totals* (Memorandum Only)		
	Current Unrestricted			Current Restricted					
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Income taxes							$2,625,734	$2,691,051	$ 65,317
Retail sales and use taxes							1,408,922	1,423,585	14,663
Other taxes							1,291,035	1,478,985	187,950
Licenses and fees							199,660	268,905	69,245
Charges for services							179,274	298,677	119,403
Interest and other investment income							68,699	81,826	13,127
Other	$947,707	$947,986	$ 279	$193,099	$185,691	$ (7,408)	2,316,191	1,876,844	(439,347)
Federal revenue							1,818,823	1,746,678	(72,145)
Total revenues	947,707	947,986	279	193,099	185,691	(7,408)	9,908,338	9,866,551	(41,787)
Expenditures and encumbrances by major function:									
Payments of revenue to civil divisions of the State							116,599	115,905	694
Public debt							391,500	391,500	
Legislative							30,626	30,311	315
Judicial review and legal							125,254	124,749	505
Executive and administrative control							168,007	164,332	3,675
Financial and revenue administration							192,202	188,676	3,526
Budgetary and fiscal administration							5,892	5,859	33
Personnel administration, retirement and employee relations							23,699	20,937	2,762
State planning							6,128	5,783	345
General services							42,260	41,776	484
Transportation and highways							1,884,329	1,765,541	118,788
Natural resources and recreation							136,258	130,583	5,675
Agriculture							30,596	29,723	873
Health, hospitals and mental hygiene							1,637,279	1,612,074	25,205
Human resources							683,653	658,111	25,542
Licensing and regulation							43,814	35,232	8,582
Public safety and correctional services							486,251	481,284	4,967
Public education	947,707	944,458	3,249	193,099	185,764	7,335	3,558,445	3,530,965	27,480
Housing and community development							116,591	86,460	30,131
Economic and employment development							131,868	118,299	13,569
Environment							37,564	37,180	384
State reserve fund							38,000	38,000	
Reversions:									
Current year reversions							(15,000)		(15,000)
Prior year reversions		(646)	646					(9,788)	9,788
Total expenditures and encumbrances	947,707	943,812	3,895	193,099	185,764	7,335	9,871,815	9,603,492	268,323
Changes in encumbrances during fiscal year 1988		1,834	(1,834)		1	(1)		(5,561)	5,561
Total expenditures	947,707	945,646	2,061	193,099	185,765	7,334	9,871,815	9,597,931	273,884
Excess (deficiency) of revenues over expenditures		2,340	2,340		(74)	(74)	36,523	268,620	232,097
Other sources (uses) of financial resources:									
Operating transfers in (out)		10	10		(109)	(109)	7,000	23,518	16,518
Excess (deficiency) of revenues over expenditures and other sources (uses) of financial resources		2,350	2,350		(183)	(183)	43,523	292,138	248,615
Fund balances, July 1, 1987	130,253	130,253		1,942	1,942		835,838	835,838	
Fund balances, June 30, 1988	$130,253	$132,603	$ 2,350	$ 1,942	$ 1,759	$ (183)	$ 879,361	$1,127,976	$ 248,615

*These totals are the sum of this page and the preceeding page.

The accompanying notes to general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances Enterprise Funds, Nonexpendable Trust Fund and Pension Trust Fund for the year ended June 30, 1988

(Expressed in Thousands)

	Proprietary Fund Type	Fiduciary Fund Types		
	Enterprise	Nonexpendable Trust Fund	Pension Trust Fund	Total (Memorandum Only)
Operating revenues:				
Lottery ticket sales	$ 811,345			$ 811,345
Charges for services and sales	149,154	$116,783		265,937
Contributions			$ 683,337	683,337
Interest and other investment income	165,848	26,685	819,810	1,012,343
Other	12,273			12,273
Total operating revenues	1,138,620	143,468	1,503,147	2,785,235
Operating expenses:				
Prizes and claims	400,497	115,911		516,408
Commissions and bonuses	41,312			41,312
Cost of sales and services	42,702			42,702
Operation and maintenance of facilities	137,340			137,340
General and administrative	51,870	12,489	10,919	75,278
Interest	126,404			126,404
Depreciation and amortization	6,130	269		6,399
Benefit payments and refunds			475,913	475,913
Provision for insurance and loan losses	1,235			1,235
Other	4,858			4,858
Total operating expenses	812,348	128,669	486,832	1,427,849
Operating income	326,272	14,799	1,016,315	1,357,386
Non-operating revenues (expenses)				
Investment income	11,890			11,890
Interest expense	(18,457)			(18,457)
Operating grants	44,571			44,571
Reduction in income tax contingency	20,200			20,200
Gain on sale of securities			961,800	961,800
Operating income before transfers	384,476	14,799	1,978,115	2,377,390
Operating transfers in	17,734			17,734
Operating transfers out	(353,857)			(353,857)
Net income	48,353	14,799	1,978,115	2,041,267
Add: Depreciation of cost of assets acquired from contributed capital	1,369			1,369
Increase in retained earnings/fund balance	49,722	14,799	1,978,115	2,042,636
Retained earnings/fund balance, July 1, 1987	743,805	85,751	6,141,605	6,971,161
Decrease in unrealized market appreciation of investments		(6,845)		(6,845)
Retained earnings/fund balance, June 30, 1988	$ 793,527	$ 93,705	$8,119,720	$9,006,952

The accompanying notes to general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Combined Statement of Changes in Financial Position
Enterprise Funds, Nonexpendable Trust Fund and Pension Trust Fund
for the year ended June 30, 1988

(Expressed in Thousands)

	Proprietary Fund Type	Fiduciary Fund Types		Total (Memorandum Only)
	Enterprise	Nonexpendable Trust Fund	Pension Trust Fund	
Sources of financial resources:				
Operations:				
Net income	$ 48,353	$ 14,799	$1,978,115	$2,041,267
Expenses not requiring current outlay of financial resources:				
Depreciation and amortization	6,130	269		6,399
Total sources of financial resources from operations	54,483	15,068	1,978,115	2,047,666
Decrease (increase) in inventories	112	(9)		103
Increase (decrease) in acounts payable and accrued liabilities	6,175		(873)	5,302
Increase in due to other funds	13,364			13,364
Increase in lottery prizes	41,411			41,411
Increase (decrease) in accrued insurance and loan losses	(232)	39,110		38,878
Issuance of revenue bonds	372,815			372,815
Decrease in restricted assets	58,114			58,114
Increase in current liabilities payable from restricted assets	788			788
Contributed capital	10,437			10,437
Total sources of financial resources	557,467	54,169	1,977,242	2,588,878
Uses of financial resources:				
Increase (decrease) in investments	(12,998)	105,030	1,975,592	2,067,624
Increase (decrease) in other accounts, loans and notes receivable	161,585	2,485	(11)	164,059
Increase in deposits	145			145
Decrease in loans from other funds	324			324
Acquisition of fixed assets	67,738	784		68,522
Decrease in capital notes	129			129
Repayment of notes payable	5,735			5,735
Decrease in deferred income taxes	20,200			20,200
Retirement of revenue bonds	254,204			254,204
Other, net	4,367	(4,164)	1,661	1,864
Total uses of financial resources	501,429	104,135	1,977,242	2,582,806
Net increase (decrease) in unrestricted cash and short-term investments	$ 56,038	$ (49,966)	$ -0-	$ 6,072

The accompanying notes to general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Balance Sheet

Higher Education Fund

June 30, 1988

(Expressed in Thousands)

	Current Funds				Endowment and Similar Funds	Total
	Unrestricted	Restricted	Loan Funds	Plant Funds		
Assets:						
Cash and short-term investments	$127,581	$ 989	$ 3,372	$ 17,964	$ 8,307	$ 158,203
Investments	97			32,514	32,521	65,132
Intergovernmental receivables		27,459				27,459
Tuition, net of allowance of $2,436	14,957					14,957
Other accounts receivable	22	2	7	960		991
Inventories	12,821					12,821
Loans and notes receivable, net of allowance of $7,194			30,809			30,809
Property, plant and equipment, net				1,437,076		1,437,076
Interfund balances	6,432	(15,730)	12	9,279	7	
Other assets	2,545	41		15		2,601
Total assets	$164,455	$12,761	$34,200	$1,497,798	$40,835	$ 1,750,049
Liabilities:						
Accounts payable and accrued liabilities	$ 72,086	$ 7,263	$ 10	$ 5,309	$ 2,359	$ 87,020
Deferred revenue	21,646	2,976				24,622
Revenue bonds and other notes payable				119,188		119,188
Accrued retirement costs	59,726					59,726
Obligations under capital leases				45,407		45,407
Total liabilities	153,457	10,239	10	169,898	2,359	335,963
Commitments and Contingencies (Notes 18 and 19)						
Fund balances:						
Investment in fixed assets				1,327,900		1,327,900
Reserved for:						
Sponsored research		2,522				2,522
Loans to students			34,190			34,190
Endowment and similar funds					38,476	38,476
Unreserved, undesignated	10,998					10,998
Total fund balances	10,998	2,522	34,190	1,327,900	38,476	1,414,086
Total liabilities and fund balances	$164,455	$12,761	$34,200	$1,497,798	$40,835	$ 1,750,049

The accompanying notes to general purpose financial statements are an integral part of these financial statements.

STATE OF MARYLAND

Statement of Revenues, Expenses, Interfund Transfers, Operating Transfers and Changes in Fund Balances

Higher Education Fund

for the year ended June 30, 1988

(Expressed in Thousands)

	Current Funds				Endowment and Similar Funds	Total
	Unrestricted	Restricted	Loan Funds	Plant Funds		
Revenues and other additions:						
Student tuition and fees	$241,834			$ 230		$ 242,064
Federal grants and contracts	22,980	$121,539	$ 1,562	135		146,216
State and local grants and contracts	2,768	42,938	17			45,723
Private gifts, grants and contracts	3,956	24,609	50	408	$ 430	29,453
Sales and services	161,650	63	3	2,799		164,515
Investment income	11,680	1,685	31	2,682	292	16,370
Realized gains on endowment investments					2,734	2,734
Interest on loans receivable			1,152	66		1,218
Other	3,007	20	536	3,553		7,116
Total revenues	447,875	190,854	3,351	9,873	3,456	655,409
Expenses and other deductions:						
Educational and general:						
Instruction	332,096	12,595				344,691
Research	39,402	91,231				130,633
Public service	20,431	7,774				28,205
Academic support	67,507	1,156				68,663
Student services	44,435	1,488	275			46,198
Institutional support	97,907	1,614		279		99,800
Scholarships and fellowships	14,108	31,341	71		30	45,550
Operation and maintenance of plant	84,837	46		68		84,951
Auxiliary enterprises	118,199	180				118,379
Hospital	9,709	30,984				40,693
Non-capitalized expenditures for plant facilities				151		151
Loan cancellations, write-offs and refunds	686		578			1,264
Disposal of property, plant and equipment				14,926		14,926
Interest on indebtedness				8,804		8,804
Other			10	329	196	535
Total expenses and other deductions	829,317	178,409	934	24,557	226	1,033,443
Excess (deficiency) of revenues and other additions over expenses and other deductions:	(381,442)	12,445	2,417	(14,684)	3,230	(378,034)
Higher Education interfund transfers – in (out)						
Mandatory:						
Principal and interest on revenue bonds	(598)			598		
Loan fund matching grant	(167)		167			
Debt service on capital leases	(16,570)	(154)		16,724		
Non-mandatory:						
Remodeling, renewals and replacements	(76,194)	(12,759)	(8)	88,961		
Other	(183)			175	8	
Total Higher Education interfund transfers	(93,712)	(12,913)	159	106,458	8	
Operating transfer from State's general and capital projects funds	480,000			26,788		506,788
Net increase (decrease) in fund balances	4,846	(468)	2,576	118,562	3,238	128,754
Fund balances, July 1, 1987	6,152	2,990	31,614	1,209,338	35,238	1,285,332
Fund balances, June 30, 1988	$ 10,998	$ 2,522	$34,190	$1,327,900	$38,476	$1,414,086

The accompanying notes to general purpose financial statements are an integral part of these financial statements.

1. Financial Reporting Entity and Description of Funds and Account Groups:

The accompanying financial statements of the State of Maryland present the financial position of the various fund types and account groups, the results of operations of the various fund types, and the changes in financial position of the enterprise funds, nonexpendable trust fund and pension trust fund.

The financial statements of the State have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the State's accounting policies are described below:

A. *Reporting Entity:*

The financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or constitutional officers of the State of Maryland.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the State's ability to exercise oversight responsibility. The most significant evidence of this ability is financial interdependency. Other evidence of the ability to exercise oversight responsibility includes, but is not limited to, the selection of governing authority, appointment of management, constitutional officers' ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the State and/or its citizens or is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the State is able to exercise oversight responsibilities.

Based on the application of these criteria, the following component units are included within the reporting entity:

Maryland Industrial Development Financing Authority
Maryland Housing Fund
Community Development Administration
Maryland Small Business Development Financing Authority
Maryland Food Center Authority
Maryland Transportation Authority
Maryland State Lottery
Maryland Environmental Service
State Use Industries
Maryland Higher Education Loan Corporation
Maryland Deposit Insurance Fund Corporation
Maryland Stadium Authority
Unemployment Insurance Program
Maryland State Accident Fund
Maryland Retirement and Pension Systems
University of Maryland System
St. Mary's College of Maryland
Morgan State University

The following are excluded from the reporting entity:

Maryland Health and Higher Education Facilities Authority - The fiscal operations and management are outside of the State system, the State has no legal liability for deficits or loan defaults, and the governing board selects management staff.

Maryland Automobile Insurance Fund - The governing board members are selected equally by the governor and the insurance industry. The board then selects a chairperson. The fund operates and is managed similar to companies in the insurance industry.

There are various other entities which are non-state agencies that have been excluded from the reporting entity. These entities, which include the Maryland School for the Blind, Blind Industries and Services of Maryland, Maryland National Capital Park and Planning Commission, State Employees Credit Union and the Maryland Credit Union Insurance Corporation, are governed and controlled by their boards, members or by-laws. The scope of public service is limited in many cases and there are no special financial relationships with the State.

B. *Fund Accounting:*

The State uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts which represent the fund's assets, liabilities, equity, revenues and expenditures or expenses. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is then divided into separate "fund types".

GOVERNMENTAL FUND TYPES

Transactions related to the acquisition, use, and balances of the government's expendable financial resources received and used for those services traditionally provided by a state government, which are not accounted for in other funds, are accounted for in governmental funds. The governmental fund measurement focus is upon determination of financial position (sources, uses, and balances of financial resources), rather than on net income determination. Governmental funds include:

General Fund:

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other funds, are accounted for in the general fund. The services include, among other things, general government, public safety and judicial, health and mental hygiene, human resources, licensing and regulation, and education (other than higher education institutions). Resources obtained from federal grants and used for activities accounted for in the general fund consistent with applicable legal requirements are recorded in the general fund.

Special Revenue Fund:

Transactions related to resources obtained, the uses of which are restricted to specific purposes, are accounted for in the special revenue fund. The special revenue fund includes resources used for operations (other than debt service) of the Maryland Department of Transportation Trust Fund, including construction or improvement of transportation facilities and mass transit operations.

Debt Service Fund:

Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations and transportation debt (other than Maryland Transportation Authority revenue bonds) are accounted for in debt service funds.

Capital Projects Fund:

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues, federal grants and operating transfers from the State's general fund.

The State enters into long-term contracts for construction of major capital projects and records the commitments as encumbrances. The State pays the cost of capital projects principally from resources obtained from general obligation bond proceeds, operating transfers from the general fund and federal grants. These resources are received, in many cases, after the long-term contracts are executed and recorded as encumbrances. Accordingly, the undesignated fund balance of the capital projects fund reflects a deficit. This deficit will be funded by future bond proceeds and capital appropriations from the general fund (see Note 9).

PROPRIETARY FUND TYPE

Enterprise Funds:

Transactions related to commercial activities operated by the State are accounted for in the enterprise funds. Proprietary funds differ from governmental funds in that the focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. The enterprise funds include:

1. Economic Development; direct loan and loan insurance programs of the Maryland Departments of Housing and Community Development and Economic and Employment Development.
2. Maryland Food Center Authority, which owns and operates warehouse facilities for use by wholesale food distributors.
3. Maryland Transportation Authority, which constructs, maintains and operates transportation toll facilities.
4. Maryland State Lottery, which operates the State Lottery.
5. Maryland Environmental Service, which constructs, maintains and operates water supply and liquid and solid waste disposal facilities.
6. State Use Industries, which utilizes inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.
7. Maryland Higher Education Loan Corporation, which assists resident students in meeting costs of attending approved institutions by guarantying loans made by commercial lenders.
8. Maryland Deposit Insurance Fund Corporation, which insures the deposits of member state-chartered savings and loan associations.
9. Maryland Stadium Authority, which will construct, maintain and operate facilities for the primary purpose of holding professional football and or baseball games in the Baltimore metropolitan area.

FIDUCIARY FUND TYPES

Transactions related to assets held by the State in a trustee or agency capacity are accounted for in fiduciary fund types. Fiduciary fund types are comprised of:

1. The expendable trust fund reflects the transactions, assets, liabilities and fund equity of the Unemployment Insurance Program. This fund is used to account for the unemployment taxes collected from employers, federal revenue received and remittance of benefits to the unemployed.
2. The nonexpendable trust fund reflects the transactions, assets, liabilities and fund equity of the State Accident Fund. The fund was established to provide workers' compensation insurance for participating employers in the State, including the State of Maryland.
3. The pension trust fund reflects the transactions, assets, liabilities and fund equities of the State administered retirement and pension systems.
4. Agency funds account for the receipt and disbursement of various taxes and federal grant proceeds collected by the State for distribution to the Federal government and political subdivisions, patient and prisoner accounts, and amounts withheld from employees and invested in the Deferred Compensation Plan as directed by the employee.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for the State's general fixed assets, and the unmatured principal of its general long-term debt and other long-term obligations of governmental funds. General fixed assets do not represent financial resources available for appropriation and expenditure, nor does the unmatured principal of general long-term obligations require current appropriation and expenditure of governmental fund financial resources.

General Fixed Assets Account Group:

General fixed assets acquired or constructed for use by the State in the conduct of its activities, other than activities accounted for in the proprietary fund type, the nonexpendable trust fund and the higher education fund, are reflected in the general fixed assets account group at the time of acquisition. As of June 30, 1980, the State established and recorded in the general fixed assets account group the estimated cost of general fixed assets based on available historical cost records. Activity subsequent to June 30, 1980, is recorded at cost. Donated fixed assets are recorded at their fair market value at the time donated. Infrastructure assets, consisting principally of highways, roads and bridges are not recorded in the general fixed assets account group.

General Long-Term Debt Account Group:

Unmatured long-term general obligation and transportation bonds payable, accrued leave and retirement costs and capital lease obligations related to general governmental activities are reflected in the general long-term debt account group.

HIGHER EDUCATION FUND

Transactions related to the financial activities of State higher education institutions are accounted for in the higher education fund. The financial statements of this fund have been prepared in accordance with the American Institute of Certified Public Accountants' Industry Audit Guide—Audits of Colleges and Universities and, accordingly, are presented as a discrete entity in a separate column in the combined balance sheet.

2. Summary of Significant Accounting Policies:

A. *All Funds:*

Grants:

Federal reimbursement type grants are recorded as revenues when the related expenditures, or expenses, are incurred.

Retirement Costs:

Substantially all State employees participate in one of seven State retirement systems (see Note 16). The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement expenditures for governmental fund types represent amounts contributed by the State for the fiscal year. The excess amounts of actuarially determined retirement costs over the amounts recorded as expenditures are carried in the general long-term debt account group. For the proprietary fund type and higher education fund, retirement costs have been provided on the accrual basis predicated on actuarial valuations. The excess of retirement costs provided over amounts funded is carried as a liability in the respective funds.

Employee Benefit Costs:

Substantially all expenditures for pension, health and Federal Social Security benefits of governmental fund types, including approximately $422,817,000 of expenditures applicable to teachers and other employees of political subdivisions and $30,523,000 applicable to retired employees and their dependents, are reported as program expenditures in the respective funds. Material benefit costs applicable to the proprietary fund type and higher education fund are reflected as expenses in the appropriate funds.

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 45 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the general long-term debt account group. Liabilities for accumulated earned but unused annual leave applicable to proprietary fund type and the higher education fund are reported in the respective funds.

Total Memorandum Only:

The "Total Memorandum Only" column represents an aggregation of the individual combined financial statements and does not represent consolidated financial information.

B. *Governmental Fund Types, Expendable Trust and Agency Funds:*

Basis of Accounting:

The accounts of the general, special revenue, debt service, capital projects, expendable trust and agency funds are maintained and reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are susceptible to accrual and recognized in the financial statements when they are measurable and available to finance operations during the year or liquidate liabilities existing at the end of the year. Material revenues susceptible to accrual include federal grants, income taxes, sales tax and motor vehicle fuel and excise taxes. Expenditures are recognized when obligations are incurred as a result of receipt of goods and services. Modifications to the accrual basis of accounting include:

- Interest on long-term obligations reflected in the general long-term debt account group is recognized in the debt service funds when it becomes payable.
- Inventories of materials and supplies are recorded as expenditures when purchased. Such inventories are not material.
- Obligations for retirement costs and employees' vested annual leave and sick leave are recorded as expenditures when paid.
- Encumbrances represented by executed and unperformed purchase orders and contracts, which are approved by the Department of Budget and Fiscal Planning, are recorded as reservations of fund balance as of the end of the fiscal year.

Intergovernmental Expenditures:

Expenditures of general and special revenue fund revenues designated for payment to political subdivisions and bond proceeds granted to political subdivisions and other public organizations are recorded as intergovernmental expenditures. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

Capital Outlays:

Principally all capital expenditures for the acquisition or construction of State general fixed assets are reported as capital outlays in the capital projects fund.

Reserved and Designated General Fund and Special Revenue Fund Balances:

Loans receivable maturing after June 30, 1989, in the amounts of $4,445,000 are deemed to be not available for current operations; accordingly, the amount has been reflected as a reservation of general fund balance.

A portion of the general fund balance and the special revenue fund balance, in the amount of $132,738,000 and $2,107,000, respectively, at June 30, 1988, representing special budgetary and nonbudgeted agency resources, was designated for agency activities and programs.

A portion of the general fund balance, in the amount of $103,449,000 at June 30, 1988, has been designated for the State Reserve Fund. The State Reserve Fund is comprised of a dedicated purpose account and a revenue stabilization account. The dedicated purpose account is designed to retain appropriations for major multi-year expenditures and to meet requirements which may be impacted by changes in Federal Law or fiscal policies or similar contingency situations. The revenue stabilization account is designed to retain State revenues for future needs and reduce the need for future tax increases by moderating revenue growth.

A portion of the special fund balance, in the amount of $31,000,000 at June 30, 1988, has been designated for the Maryland Emergency Medical Services System, which was established to provide funds to be used for the procurement of new helicopters and related equipment, ground support equipment and other capital equipment related to the helicopters, and for equipment related to the Emergency Medical Services' Communication System.

Expendable Trust Fund Balances:

The fund balance of the expendable trust fund is restricted to the purpose of the fund.

C. *Enterprise Funds and Nonexpendable and Pension Trust Funds:*

Basis of Accounting:

The accounts of the enterprise funds, nonexpendable trust fund and pension trust fund are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Property, Plant and Equipment:

Significant property, plant and equipment of enterprise funds are stated at cost.

The cost of property, plant and equipment used in the administration of certain Economic Development activities is charged to operations in the period acquired. Such amounts are not material.

Depreciation of the cost of property, plant and equipment of the Maryland Food Center Authority, Maryland State Lottery, Maryland Environmental Service, State Use Industries, Maryland Higher Education Loan Corporation, Maryland Deposit Insurance Fund Corporation, Maryland Stadium Authority and the nonexpendable trust fund is provided on the straight-line basis over estimated useful lives of 25 to 50 years for depreciable real property, 5 to 10 years for building improvements and 3 to 10 years for equipment. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

The Maryland Transportation Authority's policy of accounting for toll facilities is pursuant to "betterment accounting",whereby property costs represent a historical accumulation of costs expended to acquire rights-of-way and to construct, reconstruct, and place in operation the various projects and related facilities. Costs also include the cost of improvement, enlargement, betterments and certain general and administrative expenses incurred during the construction phase. Subsequent betterments are capitalized. All such costs are not reduced for subsequent replacements, as such replacements are accounted for as a period cost. Such period costs are included in operation and maintenance of facilities. Depreciation of the projects and related facilities is not included as an operating expense or otherwise provided. These policies are consistent with practices followed by similar entities within the toll bridge, turnpike and tunnel industry.

Lottery Revenues and Prizes:

Revenues and prizes of the Maryland State Lottery are generally recognized as drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future.

Provisions for Insurance and Loan Losses:

Current provisions are made for estimated losses resulting from insurance of loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

The Maryland Deposit Insurance Fund Corporation provides for insurance losses at the time a member savings and loan association requires financial assistance or when such assistance is anticipated. These amounts are reviewed periodically and adjusted as required based on the financial and economic conditions at the time.

Workers' compensation claims are recognized as expenses in the period incurred. Annually, the consulting actuary for the State Accident Fund estimates the liability for injuries incurred but not reported, the future liability on claims before the commission, and permanent awards. These liabilities are reported as accrued insurance losses. The liability for anticipated claims and claims expenses is discounted to present value.

Inventories:

Inventories of the Maryland Transportation Authority, Maryland State Lottery, State Use Industries and the nonexpendable trust fund are stated at the lower of cost, using the first-in, first-out method, or market.

Enterprise Funds Reserved Retained Earnings:

Retained earnings of the Maryland Transportation Authority in the amount of $104,786,000 are reserved for the payment of debt service related to the revenue bonds, major project maintenance, project requirements and improvements, betterments, enlargements, or capital additions.

Retained earnings of the Maryland State Lottery in the amount of $3,764,000 are reserved for the payment of unclaimed prizes.

Retained earnings of Maryland Environmental Service in the the amount of $112,000 are reserved for furtherance of program development activities.

Nonexpendable and Pension Trust Fund Balances:

Fund balances of nonexpendable and pension trust funds are restricted to the purpose of the fund.

D. *Higher Education Fund:*

Basis of Accounting:

The accounts of the higher education institutions are maintained and reported on the accrual basis of accounting.

Fund Accounting:

The financial activities of the higher education institutions are recorded in funds which classify the various transactions by specified activities or objectives. Fund balances of such funds are reported as reserved for higher education programs and higher education general endowment and similar funds.

Unrestricted revenue is accounted for in the current unrestricted fund. Restricted gifts, grants, endowment income and other restricted resources are accounted for in the current restricted fund, loan funds, endowment and similar funds and plant funds. Revenue and expenses are reported in the current restricted fund when financial resources are used for the current operating purposes for which they have been provided. Transactions related to the various student loan programs operated by the educational institutions are accounted for in loan funds. Resources dedicated to the acquisition and investment in property, plant and equipment are accounted for in the plant funds. To the extent current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenses, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt repayment and interest, and equipment renewals and replacements; and (3) transfers of a nonmandatory nature in all other cases.

General endowments funds are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and that only the income be utilized. Term endowment funds are similar to general endowment funds except, upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. Quasi-endowment funds have been established for the same purpose as general endowment funds, except any portion of quasi-endowment funds may be expended. The balances of the fund groups which comprise the endowment and similar funds are general endowment $32,668,000, term endowments $76,000, and quasi-endowments $5,732,000.

Student Revenues:

Student tuition and fees are fully recognized as revenues in the fiscal year in which the related courses or activities are principally conducted. Student tuition and fees applicable to future courses and activities and collected as of the end of the fiscal year are recorded as deferred revenue.

Accounts and Notes Receivable:

An allowance for doubtful receivables is provided for estimated losses expected to be incurred in collection. The estimated losses are based on historical collection experience and a review of the status of existing receivables.

Inventories:

Inventories are stated at the lower of cost, using the first-in, first-out method, or market.

Property, Plant and Equipment:

Property, plant and equipment are stated principally at cost at date of acquisition or fair value at date of donation in the case of gifts. Consistent with generally accepted accounting principles for colleges and universities, depreciation is not provided for the cost of plant assets.

Operating Transfers from State's General Fund:

A substantial portion of the higher education fund's current unrestricted expenses, including current payments for retirement costs and fringe benefits, are funded through appropriations from the general fund at the time the expenses are encumbered or paid. The current year retirement funding exceeded the expense,including amortization of unfunded liabilities over 40 years and interest thereon, by approximately $5,226,000; this excess reduced the liability for retirement costs recorded in the higher education fund. Accrued retirement costs are expected to be funded principally through future State appropriations.

3. Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the following five Budgetary Funds:

General Fund:

The General Fund is the fund in which all general transactions of the State are recorded, unless otherwise directed to be included in another fund.

Special Fund:

The Special Fund includes all of the transportation activities of the State (except for the Maryland Transportation Authority), fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds, whereas the GAAP Special Revenue Fund includes only the operations (other than debt service) of the Maryland Department of Transportation Trust Fund.

Federal Fund:

The Federal Fund is the fund in which principally all grants from the Federal government are recorded.

Higher Education Funds:

Current Unrestricted Fund: Unrestricted revenue used or available for use in carrying out the current operations of the State's colleges and universities is accounted for in the current unrestricted fund.

Current Restricted Fund: Restricted gifts, grants and other restricted resources are accounted for in the current restricted fund.

In addition to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds and the expenditures of the funds obtained thereby are accounted for in the capital projects fund. Because capital projects fund authorizations are not part of the annual budget, capital projects fund activities are not presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources and Changes in Fund Balances – Budget and Actual – Budgetary General, Special, Federal, Current Unrestricted and Current Restricted Funds.

All State budgetary expenditures for the general, special, federal, current unrestricted and current restricted funds are made pursuant to the appropriations in the annual budget, as amended from time to time by budget amendments. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by major function within the general fund, provided they do not exceed their total general fund appropriations as contained in the annual budget. Increases in general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 1988, the General Assembly approved increases in General Fund appropriations aggregating $19,681,000. Appropriations for programs funded in whole or in part from the special, federal, current unrestricted or current restricted funds may permit expenditures in excess of original special, federal, current unrestricted or current restricted fund appropriations to the extent that revenues from the particular special, federal, current unrestricted or current restricted fund sources exceed original budget estimates and such additional expenditures are approved by the Governor or, in case of the University of Maryland, the Board of Public Works. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent encumbrances are approved by the Department of Budget and Fiscal Planning; all other appropriations lapse as of June 30, 1988. Unexpended appropriations from special, federal, current unrestricted and current restricted funds may be carried over to the extent of (a) available resources, and (b) encumbrances approved by the Department of Budget and Fiscal Planning.

The amended budget adopted by the General Assembly for the general, special, federal, current unrestricted and current restricted funds is presented in the Combined Statement of Revenues, Expenditures and Encumbrances, Other Sources and Uses of Financial Resources and Changes in Fund Balances -- Budget and Actual -- Budgetary General, Special, Federal, Current Unrestricted and Current Restricted Funds. The State's budgetary fund structure and the basis of accounting used for budgetary purposes, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles. A summarization of the effect of the fund structure differences and exceptions to the modified accrual basis of accounting as of June 30, 1988, follows (amounts expressed in thousands):

	Total Budgetary Fund Equities and Other Accounts June 30, 1988	Financial Statement Funds						
		General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	Higher Education
Classification of budgetary fund equities and other accounts into GAAP fund structure:								
General	$ 557,725	$557,725						
Special revenue	435,889	138,376	$101,332	$ 82,596	$ 13,785	$ 99,800		
Current unrestricted	132,603							$ 132,603
Current restricted	1,759							1,759
Other accounts (a):								
Non-budgeted	43,153	39,959	2,107			1,087		
Debt service transportation bonds	84,192			84,192				
Capital projects	174,012				87,347	86,665		
Enterprise	1,741,559					1,741,559		
Expendable trust	618,779						$ 618,779	
Nonexpendable trust	93,705						93,705	
Pension trust	8,119,720						8,119,720	
Higher education	1,279,724							1,279,724
Budgetary fund equities and other accounts classified into GAAP fund structure:	$13,282,820	736,060	103,439	166,788	101,132	1,929,111	8,832,204	1,414,086
Accounting principle differences:								
Assets recognized in the GAAP financial statements not recognized for budgetary purposes:								
Cash and short term investments		16,000						
Taxes receivable		3,726						
Intergovernmental receivables		33,691						
Other accounts receivable		10,948						
Loans and notes receivable		2,500						
Liabilities recognized in GAAP financial statements not recognized for budgetary purposes:								
Accounts payable and accrued liabilities		(39,622)						
Deferred income tax revenue		45,000						
Local income taxes payable to local income taxes agency fund		(153,959)						
GAAP financial statement fund equities, June 30, 1988		$654,344	$103,439	$166,788	$101,132	$1,929,111	$8,832,204	$1,414,086

(a) The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. In addition to the accounting system maintained by the Comptroller, certain individual agencies which are not subject to the State budget maintain accounting systems which permit financial reporting on the basis of generally accepted accounting principles. The change in net assets of agencies whose accounting systems are not entirely maintained by the Comptroller are recorded in the State's accounting system as of June 30 each year.

In converting the June 30, 1988 modified accrual basis financial statements to conform to generally accepted accounting principles, it became apparent that a mathematical error was made at June 30, 1987 in calculating the accounting principle difference for local income taxes payable to local income taxes agency fund. This resulted in an overstatement of $55,734,000 in fiscal year 1987 income taxes revenue and the general fund balance at June 30, 1987. The effect on the financial statements for the year ended June 30, 1988 is a reduction of $55,734,000 to the previously reported general fund balance.

4. Cash and Short-Term Investments and Investments:

Substantially all cash and short-term investments of the governmental fund types and certain proprietary and fiduciary funds are maintained by the State Treasurer on a pooled basis. The State Treasurer's Office invests short-term funds on a daily basis. The investments consist of purchases of securities or repurchase agreements. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may invest in the following:

- Any obligation for which the United States has pledged its faith and credit for the payment of principal and interest.
- Any obligation that a federal agency issues in accordance with an act of Congress.
- Repurchase agreements that any of these obligations secure.

As a matter of policy, the State Treasurer does not invest in Federal Farm Credit or World Bank Securities and current Maryland law does not permit the State Treasurer to invest in commercial paper or banker acceptances. A significant portion of the investments maintained by the State Treasurer consist of repurchase agreements. Collateral, which must be at least 102% of the face value of the repurchase agreement, must be delivered to the custodian for the State Treasurer for safekeeping. Repurchase agreements are reported in the financial statements as cash and short-term investments.

Investments are classified as to credit risk by the three categories described below:

Category 1 Insured or registered, or securities held by the State or its agent in the State's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

A. *Governmental Fund Types, Expendable Trust and Agency Funds:*

The bank deposits of the governmental fund types, expendable trust and agency funds as of June 30, 1988 were entirely insured or collateralized with securities held by the State or its agent in the State's name.

At June 30, 1988 cash in the amount of $10,188,000 was maintained with fiscal agents and represents funds transmitted to bond paying agents for which coupons have not been presented. These funds were entirely insured or collateralized with securities held by the State or its agent in the State's name.

Investments of the Deferred Compensation Plan are stated at market value. All other investments are stated at cost, adjusted for amortization of premium and accretion of discounts. Repurchase agreements aggregating $1,368,362,000 (market value of collateral of $1,386,357,000) and certificates of deposit aggregating $2,292,000 at June 30, 1988, are reported as cash and short-term investments in governmental fund types. The collateral for the repurchase agreements is held by the State's agent in the State's name. The certificates of deposit are held by the State.

The investments at June 30, 1988 for the governmental fund types, expendable trust and agency funds are as follows (amounts expressed in thousands):

	Category			Carrying Value	Market Value
	1	2	3		
U.S. Treasury and agency obligations	$219,335			$219,335	$221,816
Other	4,565			4,565	4,560
	$223,900			223,900	226,376
Deferred Compensation Plan				288,676	288,676
Total				$512,576	$515,052

B. *Enterprise, Nonexpendable and Pension Trust Funds:*

The bank deposits of the enterprise, nonexpendable and pension trust funds as of June 30, 1988 were entirely insured or collateralized with securities held by the fund or its agent in the fund's name.

Investments of the enterprise funds are stated at cost, adjusted for amortization of premiums and accretion of discounts. The investment policies for all enterprise funds, with the exception of the Community Development Administration, are the same as those of the State Treasurer. The Community Development Administration, an agency of the Department of Housing and Community Development, is authorized to invest in obligations of the U. S. Treasury, U. S. Government agencies and corporations, political subdivisions of the U. S., bankers acceptances, repurchase agreements, corporate debt securities and certificates of deposit with foreign or domestic banks. Repurchase agreements aggregating $552,866,000 (market value of collateral of $553,710,000) and certificates of deposit aggregating $17,494,000 at June 30, 1988 are reported as cash and short-term investments in enterprise funds. The certificates of deposit and collateral for the repurchase agreements are held by the fund's agent in the fund's name.

The State Accident Fund (Fund), in accordance with Article 101, Section 80 of the Annotated Code of Maryland, is permitted to invest in those investments which are legal for insurance companies as authorized in Article 48A, Sections 97 through 107 of the Code. All investment purchases are authorized by the Fund's commissioners. Money market investments with an aggregate cost of $81,348,000 (which approximates market) at June 30, 1988, are reported as cash and short-term investments. The Fund had significant investments in repurchase agreements during fiscal year 1988, however, due to fluctuations in cash flow, the Fund did not have any repurchase agreements at June 30, 1988. Other investments of the Fund, which include U. S. Treasury notes, and corporate bonds and stocks, are stated at their market value of $283,112,000 (amortized cost - $279,022,000) at June 30, 1988. Realized gains and losses from the sale of investments are credited or charged to income. Changes in unrealized market appreciation or depreciation are credited or charged to fund equity. Unrealized market appreciation or depreciation is reflected as a reservation of fund equity.

The Pension Trust Fund, in accordance with Article 73 B, Section 161 of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations, and restrictions imposed by the Board of Trustees of the Maryland State Retirement and Pension Systems. The law further provides that not more than 15% of the assets that are invested in common stocks may be invested in non-dividend paying common stocks. The pension trust fund's investments are commingled in three combined investment funds. Two investment funds consist principally of bonds and other fixed income investments while the other investment fund consists principally of common stocks. Investments of the pension trust fund are stated at cost, adjusted for amortization of premiums and accretion of discounts.

The investments at June 30, 1988 for the enterprise, nonexpendable and pension trust funds are as follows (amounts expressed in thousands):

	Category			Carrying	Market
	1	2	3	Value	Value
U. S. Treasury and agency obligations	$ 351,552	$107,590		$ 459,142	$ 470,930
Commercial Paper and money market	509,357			509,357	509,562
Corporate debt securities	5,241,278	126,665		5,367,943	5,593,554
Corporate equity securities	2,037,941	48,857		2,086,798	2,626,012
Annuity contracts	24,940			24,940	24,940
Other	331,700			331,700	336,440
	$8,496,768	$283,112		$8,779,880	$9,561,438

C. *Higher Education Fund:*

The bank deposits of the Higher Education Fund (Fund) as of June 30, 1988 were entirely insured or collateralized with securities held by the fund or its agent in the fund's name with the exception of approximately $1,841,000.

Investment funds established by higher education institutions relate principally to endowment and trust accounts required by debt instruments. In general, endowment funds can be invested in debt and equity securities and trust accounts can be invested only in debt securities. These investments include U. S. Treasury and agency obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances and money market funds.

Investments of the higher education institutions are stated at cost, adjusted for amortization of premiums and accretion of discounts. Certificates of deposit and other short-term investments in the Fund aggregating $11,697,000 at June 30, 1988, are reported as cash and short-term investments.

The investments at June 30, 1988 for the higher education fund are as follows (amounts expressed in thousands):

	Category			Carrying Value	Market Value
	1	2	3		
U. S. Treasury and agency obligations	$42,224		$856	$43,080	$42,734
Corporate debt securities	2,275			2,275	2,281
Corporate equity securities	18,256			18,256	24,759
Other	1,060	$461		1,521	1,508
Total	$63,815	$461	$856	$65,132	$71,282

5. Taxes Receivable:

Taxes receivable, as of June 30, 1988, consisted of the following (amounts expressed in thousands):

	Funds			
	General	Special Revenue	Debt Service	Trust and Agency
Income taxes, current employee withholdings held by employers	$261,008			
Retail sales and use taxes, current taxes held by collectors	129,054			
Transportation taxes, principally motor vehicle fuel and excise		$51,162		
Unemployment compensation taxes				$55,861
Other taxes, principally alcohol, tobacco and property	3,313		$3,359	
	393,375	51,162	3,359	55,861
Less allowance for doubtful accounts	648			
Taxes receivable, net	$392,727	$51,162	$3,359	$55,861

6. Due From/To Other Funds:

Interfund receivables and payables, as of June 30, 1988, consisted of the following (amounts expressed in thousands):

Receivable Fund	Payable Fund	Amount
General fund	Special revenue fund	$ 1,581
	Enterprise fund - Maryland State Lottery	32,519
	Agency funds -	
	Local admissions and amusement taxes	1,142
	Payroll taxes and fringe benefits	9,107
Debt service fund - transportation bonds	Special revenue fund	717
Agency fund - local income taxes	General fund	153,959
		$199,025

7. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 1988, consisted of the following (amounts expressed in thousands):

	Funds				
	General	Debt Service	Capital Projects	Enterprise	Higher Education
Notes receivable for advances of general obligation bond proceeds:					
Political subdivisions:					
Public school construction		$10,813			
Other		18,100			
Hospitals and nursing homes		33,594			
Permanent mortgage loans				$1,187,872	
Savings and loan association loans				19,166	
National direct student loans					$29,360
Health profession loans					6,581
Shore erosion loans			$13,072		
Other	$3,309	1,075		374	2,062
	3,309	63,582	13,072	1,207,412	38,003
Less allowance for possible loan losses		1,178			7,194
Loans and notes receivable, net	$3,309	$62,404	$13,072	$1,207,412	$30,809

Notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 3% to 11.1% and mature over the next 30 years. Notes receivable maturing after fiscal year 2003 in the amount of $17,518,000 are deemed to be not available for debt service because all related general obligation bonds are scheduled to be retired by that date. Accordingly, the amount has been reflected as a reservation of debt service fund balance. Such amounts will become available to fund debt service when the due date of the outstanding amounts becomes equal to or less than the maturity dates of general long-term debt.

Savings and loan association loans are purchased from or made to member associations of the Maryland Deposit Insurance Fund Corporation (see Note 15).

National direct student loans and health profession loans are made pursuant to student loan programs funded through the U. S. Government.

8. Property, Plant and Equipment:

Property, plant and equipment, as of June 30, 1988, consisted of the following (amounts expressed in thousands):

Enterprise Funds:

	Depreciable Assets	Non-depreciable Assets
Land and improvements (includes land being held for sale of $2,059)		$ 8,127
Structure and improvements	$31,108	1,731,780
Equipment	27,085	496
	58,193	1,740,403
Less accumulated depreciation	33,315	
Total	$24,878	$1,740,403

Nonexpendable Trust Fund:

Land	$ 164
Equipment, net of accumulated depreciation of $694	1,838
Total	$ 2,002

General Fixed Assets:

General fixed assets activity by asset classification for the year ended June 30, 1988, was as follows (amounts expressed in thousands):

Classification	Balance July 1, 1987	Additions	Deletions	Transfers in (out)	Balance June 30, 1988
Land and improvements	$ 512,641	$ 11,353	$ 210	$ 35,874	$ 559,658
Structure and improvements	1,978,106	56,698	12,335	137,139	2,159,608
Equipment	639,262	59,848	21,502	38,172	715,780
Construction in progress	313,311	188,149		(211,185)	290,275
Total	$3,443,320	$316,048	$34,047	$ -0-	$3,725,321

Higher Education Fund:

Property, plant and equipment, as of June 30, 1988, consisted of the following (amounts expressed in thousands):

Land	$ 54,088
Building and improvements	883,695
Contents	429,446
Construction in progress	69,847
Total	$1,437,076

9. General Obligation Bonds:

General obligation bonds are authorized and issued primarily to provide funds for state owned capital improvements, including facilities for institutions of higher learning, and the construction of public schools in political subdivisions. Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for repayable loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes a loan for a particular object or purpose. Thereafter the Board of Public Works, a constitutional body composed of the Governor, the Comptroller of the Treasury and the State Treasurer, by resolution authorizes the issuance of bonds in a specified amount for part or all of the loan authorized by a particular enabling act.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, they must be fully paid within 15 years from the date of issue. Property taxes, debt service fund loan repayments and general fund appropriations provide the resources for repayment of general obligation bonds.

During the year, general obligation bonds aggregating $160,000,000 were issued with a discount of $1,574,000.

General obligation bonds outstanding and bonds authorized but unissued, as of June 30, 1988, were as follows (amounts expressed in thousands):

	Outstanding		Authorized But Unissued
Purpose	Interest Rates	Amount	Amount
General construction	4.9 % to 11.3 %	$ 817,313	$355,537
Public school construction	4.9 to 11.0	701,715	100,010
Water quality	4.9 to 11.8	144,335	139,619
Sanitary facilities and sewage treatment	4.7 to 11.0	12,770	3,300
Hospitals and nursing homes	4.7 to 6.75	30,390	5,150
Community colleges and vocational schools	4.7 to 6.0	26,235	20,000
Housing loans	4.7 to 6.75	56,815	6,503
Jails and correctional institutions	4.75 to 6.75	78,862	34,596
Private colleges	4.75 to 11.0	25,745	12,057
Social, cultural and historical	4.75 to 11.0	62,352	30,267
Savings and loan association insurance loan			100,000
Other	4.7 to 11.3	134,288	63,460
		$2,090,820	$870,499

As of June 30, 1988, general obligation debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands):

Years Ending June 30,	Total	Years Ending June 30,	Total
1989	$390,771	1997	$178,131
1990	381,944	1998	153,284
1991	357,869	1999	101,603
1992	288,838	2000	86,485
1993	241,409	2001	68,993
1994	218,888	2002	53,556
1995	206,422	2003	34,891
1996	193,297		

On October 25, 1988, general obligation bonds aggregating $80,000,000 were issued with a discount of $482,000. The interest rates on this issue range from 6.0% to 7.0% and the bonds mature serially through 2003.

10. Transportation Bonds:

Transportation Bonds outstanding as of June 30, 1988, were as follows (amounts expressed in thousands):

	Outstanding
Consolidated Transportation Bonds — 5.2% to 9.0%, due serially through 2001	$227,000
County Transportation Bonds — 4.0% to 5.6% Refunding Series, due serially 1988 through 1997	28,380
County Transportation Bonds — 5.3% to 11.0%, due serially through 2002	133,520
	$388,900

Consolidated Transportation Bonds are limited obligations issued by the Department of Transportation for highway, port, airport or mass transit facilities or any combination of such facilities, the principal of which must be paid within 15 years from the date of issue. The outstanding aggregate principal amount of these bonds may not by law exceed $950,000,000. At June 30, 1988, the principal amount of additional bonds which may be issued under this limitation was $723,000,000.

Consolidated Transportation Bonds are paid from the transportation debt service fund except for the Bond Anticipation Notes (none outstanding at June 30, 1988) which are paid from the proceeds of Consolidated Transportation Bonds which are deposited in the special revenue fund. Principal of and interest on Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute and the corporate income tax as credited to the Department. These amounts are applicable to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payment.

Under the terms of authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (i) total receipts (excluding federal funds for capital projects, bond and note proceeds, income received from a sinking fund separately dedicated to the Refunding Bonds, and other receipts not available for debt service), less administration, operation and maintenance expenses, for the preceding fiscal year equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued and that (ii) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

County Transportation Bonds are issued by the Department and the proceeds are used by participating counties and Baltimore City to fund local road construction, reconstruction and other transportation projects and facilities and to provide local participating funds for federally aided highway projects. Debt service on these bonds is payable from the counties' and Baltimore City's shares of highway user revenues.

By law, the Department may not issue County Transportation Bonds on behalf of a participant if such participant's share of highway user revenues for the latest fiscal year is less than twice such participant's maximum annual debt service on County Transportation Bonds.

As of June 30, 1988, Transportation bond debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands):

Years ending June 30,	Consolidated Transportation Bonds	County Transportation Bonds	Total Transportation Bond Debt Service Requirements
1989	$30,940	$22,445	$53,385
1990	32,741	22,566	55,307
1991	31,361	22,662	54,023
1992	29,951	22,794	52,745
1993	30,538	22,842	53,380
1994	22,958	22,416	45,374
1995	15,815	22,498	38,313
1996	16,165	15,388	31,553
1997	13,233	14,661	27,894
1998	13,533	10,171	23,704
1999	13,763	7,471	21,234
2000	13,923	4,377	18,300
2001		3,340	3,340
2002		2,074	2,074

At June 30, 1988, $634,630,000 of outstanding Consolidated Transportation Bonds, State Highway Construction and County Transportation Bonds are considered defeased and, therefore, are not included as long-term debt in the accompanying financial statements.

11. Changes in General Long-Term Debt:

Changes in general long-term debt, for the year ended June 30, 1988, are summarized as follows (amounts expressed in thousands):

	General Obligation Bonds	Transportation Bonds	Accrued Retirement Costs	Accrued Annual Leave	Obligations Under Capital Leases
Balance, July 1, 1987	$2,030,415	$387,565	$507,026	$81,704	$12,743
Bond issuances	304,860	18,255			
Increase in obligations under capital leases					30,250
Bond principal retirements	(244,455)	(16,920)			
Retirement of obligations under capital leases					(4,769)
Excess of expenditures in governmental fund types over actuarially determined retirement costs			(47,009)		
Amortization of prior years' liability for unfunded retirement costs			(15,234)		
Net increase in accrued annual leave				12,104	
Balance, June 30, 1988	$2,090,820	$388,900	$444,783	$93,808	$38,224

12. Revenue Bonds, Notes Payable, Loans from Other Funds and Obligations Under Capital Leases:

A. *Governmental Fund Types:*

Obligations Under Capital Leases:

Obligations under capital leases of $38,224,000 exist as of June 30, 1988 bearing interest at annual rates ranging from 4.6% to 9.25%. The following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 1988 (amounts expressed in thousands):

Years ending June 30,	Amount
1989	$ 7,665
1990	6,926
1991	5,607
1992	4,466
1993	4,256
1994 and thereafter	34,281
Total future minimum payments	63,201
Less amount representing interest	24,977
Present value of net minimum lease payments	$ 38,224

B. *Enterprise Funds:*

Maryland Housing Fund (Fund):

Notes Payable:

The Fund, an agency of the Department of Housing and Community Development, has issued a promissory note to the Community Development Administration in settlement of a multi-family claim for loss in return for the Community Development Administration's assignment to the Fund of all its rights and remedies under the mortgage note, the deed of trust and all other agreements, certificates and guarantees related to the loan for which the insurance claim has been made. As of June 30, 1988 the necessary documents evidencing this agreement had not been signed by either party. It is the intent of the Fund and the Community Development Administration to execute the documents in the future and for such documents to be retroactive to prior to June 30, 1986. The note requires minimum monthly payments of principal and interest of $15,000 at an interest rate of 10.4% per annum. The balance is due and payable in full by March 31, 2006. The balance at June 30, 1988 is $1,670,000.

Community Development Administration (Administration):

Revenue Bonds:

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, the proceeds of which were used to provide funds for its various mortgage loan programs. Assets aggregating approximately $1,722,605,000 and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 4.0% to 14% and the bonds mature serially through May 15, 2029. Maturities of principal are as follows (amounts expressed in thousands):

Years ending June 30,	Amount
1989	$ 23,010
1990	27,250
1991	28,410
1992	30,160
1993	32,570
1994 and thereafter	1,421,064
	$1,562,464

Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at rates ranging from 100% to 103% of outstanding principal amount at dates between 1988 and 2026.

Subsequent to June 30, 1988, the Administration issued $23,025,000 of revenue bonds.

Maryland Food Center Authority (Authority):

Loans from Other Funds:

In 1970, the Board of Public Works loaned to the Authority $4,000,000 which was obtained from the issuance of general obligation bonds of the State. The Authority is obligated to pay interest and principal on these bonds after all principal and interest has been repaid on any revenue bonds which may be issued by the Authority.

In 1969, the State issued bonds to provide $5,000,000 for a construction loan to the Authority. Repayment to the Board of Public Works will consist of principal and interest payments which began in 1984 and will conclude in 1996.

Total principal due to the State is summarized as follows (amounts expressed in thousands):

Greater Baltimore Regional Consolidated Wholesale Food Market Loan of 1967	$ 5,577
General Construction Loan	3,798
Debt assumed from New Marsh Wholesale Produce Market	795
	$10,170

Maryland Transportation Authority (Authority):

Revenue Bonds:

The Authority has issued Transportation Facilities Projects Revenue Bonds, Series 1985 (Refunding), which are payable solely from the revenues of the transportation facilities projects. Bonds outstanding as of June 30, 1988, consisted of (amounts expressed in thousands):

Serial bonds maturing in annual installments from $1,805 to $4,540 from July 1, 1988, through July 1, 2000 with interest rates ranging from 5.5% to 8.65%, payable semi-annually	$ 38,740
Term bonds with interest at 8.8%, payable semi-annually, due July 1, 2005	29,390
Term bonds with interest at 9.0%, payable semi-annually, due July 1, 2015	114,195
Term bonds with interest at 7.0%, payable semi-annually, due July 1, 2016	17,795
	$200,120

Maturities of principal are as follows (amounts expressed in thousands):

Years ending June 30,	Amount
1989	$ 1,905
1990	2,015
1991	2,150
1992	2,290
1993	2,455
1994 and thereafter	189,305
	$200,120

The serial bonds maturing after July 1, 1995 are subject to redemption, at the Authority's option, beginning July 1, 1995. The redemption prices range, as a percentage of the principal amount, from 100% to 102%. The bonds maturing July 1, 2016 are subject to redemption, at the Authority's option, beginning July 1, 1995 at a redemption price of 100%. A portion of the bonds maturing on July 1, 2005, $22,480,000, are subject to redemption beginning in 2001. A portion of the bonds maturing July 1, 2015, $97,870,000, are subject to redemption beginning in 2006. The principal amortization requirements range from $4,930,000 to $14,975,000 per year.

In compliance with the Trust Agreement dated December 1, 1985 underlying the Transportation Facilities Projects Revenue Bonds, Series 1985, the Authority has established restricted accounts in the aggregate amount of $104,786,000 for the payments of debt service related to the revenue bonds, major maintenance, project requirements and improvements, betterments, enlargements or capital additions. Assets consisting of cash and short-term investments, $6,002,000; investments, $114,031,000; less current accounts payable, $23,695,000 have been restricted for such purposes.

At June 30, 1988, $113,055,000 of revenue bonds are considered defeased.

In August 1981, the Authority entered into an agreement with the City of Baltimore to finance the non-Federal share (approximately $78,000,000) plus related interest of approximately $31,000,000, associated with the construction of the Fort McHenry Tunnel. The Authority placed approximately $96,000,000 from the 1985 bond issuance into an escrow account to cover these costs and expects to recover its costs through future net toll revenues of the tunnel.

Maryland Environmental Service (Service):

Revenue Bonds:

The Service has issued revenue bonds for the construction of certain projects. The bonds bear interest at 57% of prime, not to exceed 10.5% and are collateralized by the assets and revenues of the projects and any other revenues of the Service that are not otherwise pledged. All rights, title and interest in the related property, plant and equipment remains with the Service until expiration or completion of the project and repayment of the revenue bonds. Thereafter, title to the assets passes to the governmental unit served by the projects. Maturities of principal are as follows (amounts expressed in thousands):

Years ending June 30,	Amount
1989	$ 743
1990	745
1991	747
1992	750
1993	752
1994 and thereafter	4,543
	$8,280

State Use Industries:

Loans From Other Funds:

In July 1982, the General fund loaned State Use Industries $2,000,000. The loan bears no interest and is repayable as operational earnings permit with no time limit. The balance at June 30, 1988 is $1,945,000.

Maryland Deposit Insurance Fund Corporation:

Notes Payable:

The notes payable of $5,247,000 represent promissory notes payable to member savings and loan associations (see Note 15).

C. *Higher Education Fund:*

Long-Term Debt:

Certain State colleges have issued revenue bonds and mortgage loans payable for the acquisition and construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. The mortgage loans payable are collateralized by real estate. Interest rates range from 3.5% to 7.3% on the revenue bonds and 3% to 10% on the mortgage loans payable. Maturities of principal are as follows (amounts expressed in thousands):

Years ending June 30,	Revenue Bonds	Mortgages	Total
1989	$ 2,745	$ 1,339	$ 4,084
1990	2,880	1,407	4,287
1991	3,050	1,468	4,518
1992	3,220	1,535	4,755
1993	3,415	1,607	5,022
1994 and thereafter	71,100	25,422	96,522
	$86,410	$32,778	$119,188

The bonds issued are the debt and obligation of the University and are not a debt and obligation of, or pledge of, the faith and credit of the State.

Obligations Under Capital Leases:

Obligations under capital leases of $45,407,000 exist as of June 30, 1988, bearing interest at annual rates ranging from 5.25% to 14.0%. The following is a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 1988 (amounts expressed in thousands):

Years ending June 30,	Amount
1989	$ 10,373
1990	9,008
1991	7,692
1992	6,004
1993	5,024
1994 and thereafter	88,424
Total future minimum payments	126,525
Less amount representing interest	81,118
Present value of net minimum lease payments	$ 45,407

13. Contributed Capital:

The changes in contributed capital of the enterprise funds for the year ended June 30, 1988, are as follows (amounts expressed in thousands):

	Economic Development		Maryland Transportation Authority	Maryland Environmental Service	State Use Industries	Total
	Insurance Programs	Loan Programs				
Balance, July 1, 1987	$66,795	$137,571	$763,785	$13,752	$389	$982,292
Contributions		10,167		270		10,437
Depreciation on contributed assets				(1,365)	(4)	(1,369)
Balance, June 30, 1988	$66,795	$147,738	$763,785	$12,657	$385	$991,360

14. Segment Information - Enterprise Funds:

Activity segments included in enterprise funds are described in Note 1B. Selected financial information with respect to these segments is as follows (amounts expressed in thousands):

	Segments									
	Insurance Programs	Loan Programs	Warehouse Development and Rentals	Toll Facilities (Maryland Transportation Authority)	Lottery	Water Supply Waste Disposal	Manufacturing	Student Loan Insurance Program	Savings and Loan Deposit Insurance	Stadium Authority
Operating revenues	$ 11,860	$158,926	$ 3,540	$ 108,753	$811,345	$13,815	$15,073	$12,915	$ 2,367	$ 26
Depreciation and amortization	17	1,638	404	423	1,831	1,451	302	22	33	9
Operating income (loss)	7,517	(19,784)	1,174	16,665	344,392	(328)	1,726	(24,557)	595	(1,128)
Operating grants		16,091					17	28,463		
Operating interfund transfers:										
In									984	16,750
Out					(352,678)			(1,179)		
Net income (loss)	7,517	(3,693)	921	10,215	(8,286)	(706)	1,743	2,727	21,779	16,136
Current capital contributions		10,167				270				
Property, plant, and equipment:										
Additions	233	44		66,705	95	314	530		6	39
Deletions			228							
Total assets	141,667	1,911,204	25,329	1,870,804	210,482	25,902	11,162	29,365	230,245	16,546
Bonds and other long-term liabilities:										
Payable from other sources	1,670								5,247	
Payable from operating revenues		1,562,464		200,120		8,280				
Total capital (deficit)	129,825	277,004	9,822	1,642,978	6,107	13,352	8,375	16,165	(190,653)	16,136

15. State of Maryland Deposit Insurance Fund Corporation:

During 1985, several State-chartered savings and loan associations, whose deposits were insured by the Maryland Savings-Share Insurance Corporation (MSSIC), experienced unusually heavy withdrawals of funds by depositors which caused a substantial decline in their liquid assets. As a result, MSSIC was appointed by the Circuit Court of Baltimore City to act as conservator for two of the associations. On May 17, 1985, the Maryland General Assembly enacted legislation creating the State of Maryland Deposit Insurance Fund Corporation (MDIFC), an agency of the State of Maryland Department of Licensing and Regulation and the successor by statutory merger to MSSIC. On May 18, 1985, all savings and loan associations that were members of MSSIC automatically became members of MDIFC. MDIFC insures members' savings deposits deposited prior to that date up to $100,000 per account and amounts deposited after that date up to $100,000 per depositor.

Emergency legislation also gave authority to the Maryland Board of Public Works to issue, at its discretion, general obligation bonds of the State not to exceed the aggregate principal amount of $100,000,000. Bond proceeds may be provided to MDIFC or to the Savings and Loan Association Capital Stabilization Fund (the "Fund"), a special non-lapsing fund established by the legislation. The Fund may be applied at the discretion of the Governor to purchase net worth certificates of any Maryland chartered savings and loan association if, in the opinion of the Secretary of Licensing and Regulation, by so doing the association will qualify for insurance of its deposits and accounts by FSLIC. Net worth certificates are special capital instruments which MDIFC-insured associations are authorized to issue for the purpose of increasing their capital. The Board of Public Works may authorize the purchase of such certificates in exchange for money, bond anticipation notes, or other obligations of the State in consideration for the net worth certificates. The net worth certificates give the State the right to exercise significant operational control over the association and may be convertible into stock of a capital stock association. As of October 31, 1988, none of the authorized $100,000,000 general obligation bonds had been issued, however, net worth certificates totaling $8,148,000 had been purchased from four associations in exchange for a like principal amount of bond anticipation notes of the State. Each of the bond anticipation notes mature three years after its date of issuance, subject to prior redemption at par at any time at the option of the State, and bear interest, payable annually, at rates of 6.5% to 9.0%. The net worth certificates bear interest at 1.5% above the bond anticipation notes. The State does not intend to redeem the net worth certificates or issue general obligation bonds in connection with these transactions and, accordingly, the net worth certificates and bond anticipation notes have not been recorded in the State's financial statements. Interest received on net worth certificates and interest paid on bond anticipation notes during fiscal year 1988 are recorded in the general obligation debt service fund.

The emergency legislation also gave the Governor and others certain emergency powers. As of October 31, 1988, six savings and loan associations are in receivership. The deposits at these associations have been frozen and earn no interest pending liquidation of the associations' assets.

On May 13, 1986, a bank acquired the insured depositor accounts and certain assets of a member association in receivership. At the end of three years, certain assets acquired by the bank will be appraised and the receivership will share in any gains or losses over adjusted book value. The receivership may also be required to repurchase certain other assets at the end of three years for their adjusted book value. If the receivership fails to make any required payment to the bank, then MDIFC will make the required payment and become subrogated to the bank's claim against the receivership. MDIFC has secured its obligation to make payments to the bank by pledging $46,700,000 of bond anticipation notes of the State issued to MDIFC. Since the bond anticipation notes were issued only as collateral for the aforementioned guarantee and the State does not intend to issue general obligation bonds in connection with the bond anticipation notes, such notes have not been recorded in the financial statements of the State as of June 30, 1988.

The balance sheet of MDIFC at June 30, 1988 includes $189,962,000 of deposits resulting from distributions to depositors of two member associations in receivership, the purchase of certain assets from two member associations, settlement of a lawsuit and payments by MDIFC to two banks that acquired the insured deposits of two member associations for which MDIFC received a subrogation of the depositors' rights to their share of proceeds from the liquidation of the associations' net assets in an amount equal to the contribution. The distributions totalled $180,350,000 and were made in accordance with the Governor's General Distribution Plan, approved on March 5, 1986. The amount distributed includes $110,789,000 paid in fiscal year 1986 and $69,561,000 paid in fiscal year 1987. The 1987 distribution was partially funded by a transfer of $15,000,000 from the State of Maryland General Fund and borrowings of $15,000,000 from a bank, which were repaid during fiscal year 1987. MDIFC received subrogation of the depositor's rights to their share of proceeds from the liquidation of the associations' net assets in an amount equal to the distribution. MDIFC has received $20,788,000 in depositor distributions from two member associations in receivership since its inception, of which $7,366,000 was received during fiscal year 1988.

In the wake of the savings and loan crisis discussed above, an allowance for estimated insurance losses of $400,000,000 at June 30, 1988 has been established; however, MDIFC's ultimate liability, if any, cannot presently be determined.

At June 30, 1987, MDIFC had established a $35,000,000 liability for potential Federal tax liabilities associated with MSSIC's deduction of loss reserves on its Federal tax returns. On October 28, 1988, an agreement was reached with the Internal Revenue Service whereby MDIFC paid $14,800,000 in settlement of all tax claims. Accordingly, the deferred federal income taxes has been reduced by $20,200,000 as of June 30, 1988.

Additionally, MDIFC and MSSIC are parties to numerous lawsuits, and, in the opinion of the Attorney General of the State of Maryland, the outcome of the litigation cannot presently be determined. Furthermore, there may be additional future litigation involving MDIFC.

A condensed balance sheet of MDIFC as of June 30, 1988 is as follows (amounts expressed in thousands):

Assets:	
Cash and investments	$ 20,886
Loans and notes receivable	19,166
Deposits at Old Court Savings and Loan, First Maryland Savings and Loan and three other associations	189,962
Other assets	231
	$230,245
Liabilities:	
Estimated loss on insured savings deposits	$400,000
Capital notes	5,247
Deferred federal income taxes	14,800
Other liabilities	851
	420,898
Deficiency in Assets:	
Capital deposits by members	144,224
Deficit	(334,877)
	(190,653)
	$230,245

16. Retirement and Pension System:

The State of Maryland contributes to the Maryland Retirement and Pension Systems (System), an agent multiple-employer public employee retirement system established by the State of Maryland to provide pension benefits for State employees, the employees of the University of Maryland Medical System (a private, nonprofit, nonstock corporation) and employees of 98 participating municipal corporations within the State. The System is considered part of the State of Maryland's financial reporting entity and is included in the State's financial statements as a Pension Trust Fund. For the year ended June 30, 1988, the State's covered payroll was $3,916,851,000, which approximates the total employer payroll.

Plan Description:

The System consists of the following systems which are managed by the Board of Trustees for the System. All retirement and pension systems discussed herein, except the Mass Transit Administration Pension Plan (discussed in the last paragraph of this note), are included in the System.

"Retirement Systems" — for employees, teachers and State police - retirement programs for substantially all State employees, teachers and State police who are not members of the State Pension System.

"Pension Systems" — for employees and teachers - retirement programs for employees and teachers hired after January 1, 1980, and prior employees who have elected to transfer from the Retirement Systems.

"Judges Pension System" — retirement program for State judges.

At June 30, 1988, membership in the System consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:	
Retirement Systems	48,095
Pension Systems	17,809
State Police System	628
Current employees:	
Vested:	
Retirement Systems	51,818
Pension Systems	63,001
State Police System	672
Nonvested:	
Retirement Systems	1,792
Pension Systems	37,686
State Police System	966
Total members	222,467

The System provides retirement, death and disability benefits in accordance with State statutes. A member terminating employment before attaining retirement age but after completing 5 years of creditable service (15 years for the State Police Retirement System), becomes eligible for a vested retirement allowance, provided the member lives to age 60, (age 62 for the Pension Systems, age 50 for the State Police Retirement System), and does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. A member of the Pension Systems may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. A member of the State Police Retirement System may retire with full benefits after attaining age 50, or after completing 25 years of creditable service regardless of age.

The annual benefit for Retirement System members is equal to 1/55 of a member's high - three year average salary times years of creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age. A member of the Pension System shall receive upon retirement an annual service retirement allowance based on the member's high - three consecutive year average salary and years of creditable service with a provision for additional benefits for compensation earned in excess of the social security wage base. A member may retire with reduced benefits after attaining age 55 and completing 15 years of eligibility service. The annual retirement allowance for a member of the State Police Retirement System is equal to 1/45 of a member's high - three year average salary times the member's first 25 years of creditable service, plus 1/90 of the average final compensation times the member's creditable years in excess of 25 years.

Members of the Employees' and Teachers' Retirement Systems are required to contribute to the System a fixed percentage of their regular salaries and wages (e.g. 7%). Members of the Pension Systems are required to contribute to the System 5% of their regular salaries and wages which exceed the social security wage base. Members of the State Police Retirement System are required to contribute 8% of their regular salaries and wages to the system. All contributions are deducted from each member's salary and wage payments and are remitted to the System on a regular, periodic basis.

The State of Maryland, the University of Maryland Medical System and the participating municipal corporations make all of the employer contributions to the System. In addition, the State of Maryland, which is a non-employer contributor to the Teachers' Retirement and Pension Systems, makes virtually all of the non-employee contributions to the Teachers' Systems. All contributions to the System are made in amounts required by State statutes.

No investment of the System in any one organization represented 5% or more of the net assets available for pension benefits. There were no investments in, loans to, or leases with parties related to the System.

Funding Status and Progress:

The amount shown as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Systems' funding status on a going - concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the System as described below.

The pension benefit obligation was determined as a part of an actuarial valuation at June 30, 1988. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually, (b) projected salary increases from 5 percent to 6 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from .79 percent to 6.8 percent per year, attributable to seniority/merit, and (d) postretirement benefit increases ranging from 3 percent to 6 percent per year depending on the system. At June 30, 1988, the unfunded pension benefit obligation (i.e., pension obligation less net assets available for benefits) of the System was as follows (amounts expressed in thousands):

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 5,992,483
Current employees -	
Accumulated employee contributions including allocated investment income ..	1,240,736
Employer - financed vested and nonvested	6,909,358
Total pension benefit obligation	14,142,577
Net assets available for benefits, at cost (market value is $8,889,490)	8,119,720
Unfunded pension benefit obligation ...	$ 6,022,857

No changes in actuarial assumptions which significantly affected the valuation of the pension benefit obligation occurred during fiscal year 1988.

Contributions Required and Made:

The State's retirement contributions are appropriated annually, based upon actuarial valuations. In this regard, the System has engaged an independent firm of consulting actuaries to prepare annual actuarial valuations and perform various actuarial consulting services. Effective July 1, 1980, in accordance with the law governing the System, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' normal and accrued liability contribution rates and the unfunded actuarial accrued liability. Using this method the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.

Employer contributions to the System totaling $576,766,000 (14.7% of covered payroll) for fiscal year 1988 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 1986. This amount consisted of $246,836,000 normal cost and $329,930,000 amortization of the unfunded actuarial accrued liability. Employee contributions to the System for fiscal year 1988 were $106,571,000 (2.7% of covered payroll).

The liquidation period for the unfunded actuarial accrued liabilities (as provided by law) is 32 years from June 30, 1988. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligation.

The computation of the pension contribution requirements for fiscal year 1988 was based on the same actuarial assumptions, benefit provisions, actuarial funding method, and other significant factors used to determine pension contribution requirements in the previous year.

Retirement expenditures applicable to governmental fund types for the year ended June 30, 1988, aggregated approximately $475,015,000. The excess of retirement expenditures over retirement costs of approximately $47,009,000, is included in the general long-term debt account group.

Three - Year Historical Trend Information for the System (amounts expressed in thousands):

Fiscal Year	(1) Net Assets Available for Benefits at Cost	(2) Pension Benefit Obligation	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) ÷ (5)
1986	$5,227,244	$12,158,741	43.0%	$6,931,497	$3,318,766	208.9%
1987	6,141,605	13,170,031	46.6	7,028,426	3,606,508	194.9
1988	8,119,720	14,142,577	57.4	6,022,857	3,916,851	153.8

Ten - year historical trend information is available in a separate financial report issued by the System. This report presents information about progress made in accumulating sufficient assets to pay benefits when due.

For asset and investment management purposes, the State combined the assets of all State administered retirement and pension systems into a pooled trust fund. Accordingly, the financial statements for the State administered pension fund are presented on a combined basis in the fiduciary fund type financial statements. Individual retirement systems' equity in the pension fund balance, as of June 30, 1988, is as follows (amounts expressed in thousands):

	Fund Balance (a)	
	Employee Annuity Savings (b)	Retirement Accumulation Fund (c)
Employees' Retirement System	$ 385,035	$1,653,393
Teachers' Retirement System	808,368	3,242,842
State Police Retirement System	36,958	275,632
Employees' Pension System	4,389	928,444
Teachers' Pension System	5,986	778,673
Total	$1,240,736	$6,878,984

Changes in the pension fund balance for the year ended June 30, 1988, were as follows (amounts expressed in thousands):

	Fund Balance (a)	
	Employee Annuity Savings (b)	Retirement Accumulation Fund (c)
Balance, July 1, 1987	$1,161,228	$4,980,377
Increases:		
Member contributions	106,571	
Employer contributions		576,766
Investment and other income		1,781,610
Decreases:		
Benefit payments		(463,475)
Refunds	(12,438)	
Administrative expenses		(10,919)
Transfers to the Employee Annuity Savings Fund for interest credited to members' accounts	50,191	(50,191)
Transfers to the Retirement Accumulation Fund for contributions of retiring members	(64,816)	64,816
Balance, June 30, 1988	$1,240,736	$6,878,984

(a) The consulting actuary annually determines the changes in fund balances resulting from transfers of employees from the Employees' and Teachers' Retirement Systems to the Employees' and Teachers' Pension Systems and allocations of investment income.

(b) Contributions made by members together with interest thereon are credited to the Employee Annuity Savings Fund.

(c) Contributions made by the employer and investment income thereon are credited to the Retirement Accumulation Fund.

During October 1987, the System established the Combined Dedicated Fixed Investment Fund (Fund) by purchasing fixed income securities which would provide scheduled payments of principal and interest that match the projected benefit payments to all members (excluding members of participating municipalities) who had retired prior to July 1, 1987. Equity investments with a book value of $1,251,416,000 and government fixed investments with book value of $887,687,000 were sold for $3,157,763,000. A loss of $56,860,000 was incurred on certain investment transactions applicable to the establishment of the Fund. As a result of these transactions a gain of $961,800,000 was realized on the sale of securities.

The State also contributed to the Mass Transit Administration Pension Plan (Plan), a retirement program (not included in the System) for certain employees of the Mass Transit Administration. This plan is an unfunded pension arrangement and requires no employee contributions. The consulting actuary for the Plan prepared a valuation as of June 30, 1988, using the entry age normal cost method. Retirement costs for 1988 on this basis aggregated approximately $5,946,000 for governmental fund types, including amortization of unfunded liabilities over 30 years. Retirement expenditures for the Plan on the unfunded pension arrangement basis aggregated approximately $3,363,000 for the year ended June 30, 1988.

17. Deferred Compensation Plan:

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State subject only to the claims of the government's general creditors. Participants' rights under the plan are equal to those of general creditor of the State in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the government's legal counsel that the government has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The government believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Investments are managed by the plan's trustee under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

18. Commitments:

The State leases office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. Future lease expense commitments under these agreements at June 30, 1988 are as follows (amounts expressed in thousands):

Years ending June 30,	Amounts
1989	$ 34,729
1990	32,316
1991	30,341
1992	27,952
1993	25,647
1994 and thereafter	22,905
	$173,890

At June 30, 1988, the Department of Transportation and Maryland Transportation Authority had commitments of approximately $910,358,000 and $136,000,000, respectively, for construction of highway and mass transit facilities. Approximately 51% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department.

The Department of Transportation, as lessor, leases terminal space at various marine terminals, airport facilities and office space pursuant to various operating leases. Minimum future rental revenues are as follows (amounts expressed in thousands):

Years ending June 30,	Noncancellable Operating Leases Minimum Future Rentals
1989	$ 17,927
1990	15,141
1991	14,456
1992	13,255
1993	9,910
1994 and thereafter	150,917
	$221,606

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rent revenue was approximately $51,827,000 for the year ended June 30, 1988, including contingent rentals of approximately $18,318,000. Assets of the Department of Transportation subject to such operating lease agreements are included in the general fixed assets account group. The cost of these assets was approximately $252,740,000 at June 30, 1988.

At June 30, 1988, the Maryland State Lottery had commitments of approximately $18,700,000 for services to be rendered relating principally to the operation of the lottery game.

The State is insured for workers' compensation losses by the State Accident Fund under a contract, which provides for the State to pay premiums based upon loss experience plus a proportionate share of administrative costs. In the event of termination of the contract, the State is obligated for any premium deficiency existing at the time of termination. As of June 30, 1988, anticipated workers' compensation claims in the amount of $62,500,000 applicable to State employees were accrued in the nonexpendable trust fund. For the year ended June 30, 1988, the State paid the State Accident Fund approximately $20,150,000 in premiums.

19. Contingencies:

The State is party to legal proceedings, which normally occur in governmental operations. Other than the litigation discussed in Note 15, the legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the affected funds.

As of June 30, 1988, mortgage loan insurance programs included in the enterprise funds were contingently liable as insurer of mortgage loans payable, or portions of mortgage loans payable, in an aggregate amount of approximately $569,700,000 (including $426,883,000 for the economic development loan programs). In addition, there are commitments to insure mortgage loans which would represent additional contingent liabilities of approximately $41,801,000.

The Maryland Higher Education Loan Corporation (Corporation), as endorser of student loans, is contingently liable to lending institutions for purchase of student loans in default. In the event of such default, the Corporation is liable to the lending institution for the unpaid principal amount of the loan plus unpaid interest, including interest accrued from the date of default until the date of purchase by the Corporation. At June 30, 1988, the Corporation has endorsed loans outstanding of approximately $765,000,000. These loans are covered by a federal reinsurance agreement with the U.S. Department of Education. The agreement provides for repurchase by the U.S. Department of Education of 100% of the amount of loans which default; however, if the default rate exceeds 5% of the loans in repayment status as of September 30 of the preceding year, the reinsurance rate is 90%, and for all defaults in excess of 90% the reinsurance rate is 80%.

The State receives significant financial assistance from the U. S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 1988, the State estimates that no material liabilities will result from such audits.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

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STATE OF MARYLAND

Combining Balance Sheet

Debt Service Funds

June 30, 1988

(Expressed in Thousands)

	General Obligation Bonds	Transportation Bonds	Total
Assets:			
Cash and short-term investments	$19,326	$ 511	$ 19,837
Investments		81,602	81,602
Taxes receivable	3,359		3,359
Other accounts receivable		1,362	1,362
Due from other funds		717	717
Loans and notes receivable, net	62,404		62,404
Loans to other funds	10,170		10,170
Total assets	$95,259	$84,192	$179,451
Liabilities:			
Deferred revenue	$ 2,475		$ 2,475
Matured bonds and interest coupons payable	10,188		10,188
Total liabilities	12,663		12,663
Fund Balance:			
Reserved for:			
Loans and notes receivable	17,518		17,518
Unreserved:			
Designated for:			
General long-term obligation bond debt service	65,078		65,078
Transportation bond debt service		$84,192	84,192
Total fund balances	82,596	84,192	166,788
Total liabilities and fund balances	$95,259	$84,192	$179,451

STATE OF MARYLAND

Combining Statement of Revenues, Expenditures, Other Sources and Uses of Financial Resources and Changes in Fund Balances

Debt Service Funds

for the year ended June 30, 1988

(Expressed in Thousands)

	General Obligation Bonds	Transportation Bonds	Total
Revenues:			
Other taxes	$134,596		$134,596
Interest and other investment income	5,147	$ 5,368	10,515
Other	1,168		1,168
Total revenues	140,911	5,368	146,279
Expenditures:			
Debt service:			
Principal retirement	244,455	16,920	261,375
Interest	147,045	27,466	174,511
Total expenditures	391,500	44,386	435,886
Deficiency of revenues over expenditures	(250,589)	(39,018)	(289,607)
Other sources (uses) of financial resources:			
Operating transfers in	248,048	55,834	303,882
Operating transfers out	(1,574)	(3,376)	(4,950)
Net other sources of financial resources	246,474	52,458	298,932
Excess (deficiency) of revenues over expenditures and other sources (uses) of financial resources	(4,115)	13,440	9,325
Fund balances, July 1, 1987	86,711	70,752	157,463
Fund balances, June 30, 1988	$ 82,596	$84 192	$166,788

STATE OF MARYLAND

Combining Balance Sheet

Enterprise Funds

June 30, 1988

(Expressed in Thousands)

	Economic Development		Maryland Food Center Authority	Transportation Authority	Maryland State Lottery	Maryland Environmental Service	State Use Industries	Maryland Higher Education Loan Corporation	Maryland Deposit Insurance Fund Corporation	Maryland Stadium Authority	Total
	Insurance Programs	Loan Programs									
Assets:											
Cash and short-term investments	$124,102	$ 488,517	$ 8,839	$ 811	$ 40,275	$ 2,562	$ 3,659	$21,804	$ 3,615	$16,516	$ 710,700
Investments	8,744	182,989		8,488	161,451			2,974	17,271		381,917
Intergovernmental receivables						725		4,249			4,974
Other accounts receivable	2,433	20,816	55	1,081	6,407	1,871	2,446	254	162		35,525
Inventories				442	27		3,290				3,759
Loans and notes receivable	4,181	1,183,691	374						19,166		1,207,412
Property, plant and equipment, net	216	606	16,061	1,731,780	2,223	12,464	1,748	84	69	30	1,765,281
Restricted assets				120,033		1,688					121,721
Deposits									189,962		189,962
Other assets	1,991	34,585		8,169	99	6,592	19				51,455
Total assets	$141,667	$1,911,204	$25,329	$1,870,804	$210,482	$25,902	$11,162	$29,365	$230,245	$16,546	$4,472,706
Liabilities:											
Accounts payable and accrued liabilities	$ 441	$ 37,403	$ 589	$ 3,368	$ 2,107	$ 4,270	$ 842	$ 44	$ 193	$ 410	$ 49,667
Due to other funds					32,519						32,519
Lottery prizes					166,575						166,575
Accrued insurance and loan losses	7,678	638							400,000		408,316
Other liabilities	158	28,566	4,685					1,156	39		34,604
Deferred revenue	1,896	5,129	63	642	3,174			12,000	619		23,522
Loans from other funds			10,170				1,945				12,115
Capital notes									5,247		5,247
Notes payable	1,670										1,670
Liabilities payable from restricted assets				23,696							23,696
Deferred federal income taxes									14,800		14,800
Revenue bonds payable		1,562,464		200,120		8,280					1,770,864
Total liabilities	11,842	1,634,200	15,507	227,826	204,375	12,550	2,787	13,200	420,898	410	2,543,595
Capital:											
Contributed capital	66,795	147,738		763,785		12,657	385				991,360
Capital deposits by members									144,224		144,224
Retained earnings:											
Reserved				104,786	3,764	112					108,662
Unreserved (deficit)	63,030	129,266	9,822	774,407	2,343	583	7,990	16,165	(334,877)	16,136	684,865
Total capital (deficit)	129,825	277,004	9,822	1,642,978	6,107	13,352	8,375	16,165	(190,653)	16,136	1,929,111
Total liabilities and capital	$141,667	$1,911,204	$25,329	$1,870,804	$210,482	$25,902	$11,162	$29,365	$230,245	$16,546	$4,472,706

STATE OF MARYLAND

Combining Statement of Revenues, Expenses and Changes in Retained Earnings

Enterprise Funds

for the year ended June 30, 1988

(Expressed in Thousands)

	Economic Development		Maryland Food Center Authority	Transportation Authority	Maryland State Lottery	Maryland Environmental Service	State Use Industries	Maryland Higher Education Loan Corporation	Maryland Deposit Insurance Fund Corporation	Maryland Stadium Authority	Total
	Insurance Programs	Loan Programs									
Operating revenues:											
Lottery ticket sales					$811,345						$ 811,345
Charges for services and sales	$ 4,016	$ 2,561	$ 3,518	$108,029		$13,815	$15,073	$ 2,142			149,154
Interest and other investment income	7,818	154,129						1,933	$ 1,968		165,848
Other	26	2,236	22	724				8,840	399	$ 26	12,273
Total operating revenues	11,860	158,926	3,540	108,753	811,345	13,815	15,073	12,915	2,367	26	1,138,620
Operating expenses:											
Prizes and claims					400,497						400,497
Commissions and bonuses					41,312						41,312
Cost of sales and services		97					11,026	31,579			42,702
Operation and maintenance of facilities		40,171		86,649		10,520					137,340
General and administrative	3,113	5,632	1,962	5,016	23,313	2,172	1,882	6,246	1,389	1,145	51,870
Interest		126,054							350		126,404
Depreciation and amortization	17	1,638	404	423	1,831	1,451	302	22	33	9	6,130
Provision for insurance and loan losses	1,213	397						(375)			1,235
Other		4,721					137				4,858
Total operating expenses	4,343	178,710	2,366	92,088	466,953	14,143	13,347	37,472	1,772	1,154	812,348
Operating income (loss)	7,517	(19,784)	1,174	16,665	344,392	(328)	1,726	(24,557)	595	(1,128)	326,272
Non-operating revenues (expenses):											
Investment income			582	10,687		107				514	11,890
Interest expense			(835)	(17,137)		(485)					(18,457)
Operating grants		16,091					17	28,463			44,571
Reduction in income tax contingency									20,200		20,200
Operating income (loss) before transfers	7,517	(3,693)	921	10,215	344,392	(706)	1,743	3,906	20,795	(614)	384,476
Operating transfers in									984	16,750	17,734
Operating transfers out					(352,678)			(1,179)			(353,857)
Net income (loss)	7,517	(3,693)	921	10,215	(8,286)	(706)	1,743	2,727	21,779	16,136	48,353
Add: Depreciation of cost of assets acquired from contributed capital						1,365	4				1,369
Increase (decrease) in retained earnings	7,517	(3,693)	921	10,215	(8,286)	659	1,747	2,727	21,779	16,136	49,722
Retained earnings (deficit), July 1, 1987	55,513	132,959	8,901	868,978	14,393	36	6,243	13,438	(356,656)		743,805
Retained earnings (deficit), June 30, 1988	$63,030	$129,266	$ 9,822	$879,193	$ 6,107	$ 695	$ 7,990	$16,165	$(334,877)	$16,136	$ 793,527

STATE OF MARYLAND

Combining Statement of Changes in Financial Position

Enterprise Funds

for the year ended June 30, 1968

(Expressed in Thousands)

	Economic Development		Maryland Food Center Authority	Transportation Authority	Maryland State Lottery	Maryland Environmental Service	State Use Industries	Maryland Higher Education Loan Corporation	Maryland Deposit Insurance Fund Corporation	Maryland Stadium Authority	Total
	Insurance Programs	Loan Programs									
Sources of financial resources:											
Operations:											
Net income (loss)	$ 7,517	$ (3,693)	$ 921	$10,215	$ (6,286)	$ (706)	$1,743	$2,727	$21,779	$16,135	$ 48,353
Expenses not requiring current outlay of financial resources:											
Depreciation and amortization	17	1,638	404	423	1,831	1,451	302	22	33	9	6,130
Total sources (uses) of financial resources from operations	7,534	(2,055)	1,325	10,638	(6,455)	745	2,045	2,749	21,812	16,145	54,483
Decrease (increase) in inventories				(116)	176		52				112
Increase (decrease) in accounts payable and accrued liabilities	270	4,755	62	521	44	131	43	(4)	(57)	410	6,175
Increase in due to other funds					13,364						13,364
Increase in lottery prizes					41,411						41,411
Increase (decrease) in accrued insurance and loan losses	41	102						(375)			(232)
Issuance of revenue bonds		372,815									372,815
Decrease (increase) in restricted assets				58,121		(7)					58,114
Increase in liabilities payable from restricted assets				788							788
Contributed capital		10,167				270					10,437
Total sources of financial resources	7,845	385,784	1,387	69,952	48,540	1,139	2,140	2,370	21,755	16,555	557,467
Uses of financial resources:											
Increase (decrease) in investments	(4,807)	(49,973)		1,063	43,213			5	(2,499)		(12,998)
Increase (decrease) in other accounts, loans and notes receivable	634	162,866	228	206	(4,767)	(30)	154	17	2,277		161,585
Increase in deposits									145		145
Decrease in loans from other funds			324								324
Acquisition (disposal) of fixed assets	233	44	(228)	66,705	95	314	530		6	39	67,738
Decrease in capital notes									129		129
Repayment of notes payable	10	5,725									5,735
Decrease in deferred federal income taxes									20,200		20,200
Retirement of revenue bonds		251,667		1,805		732					254,204
Other, net	(124)	2,889	(116)	26	194	(886)	142	2,428	(186)		4,367
Total uses of financial resources	(4,054)	373,218	208	69,805	38,735	130	826	2,450	20,072	39	501,439
Net increase (decrease) in unrestricted cash and short-term investments	$11,899	$12,566	$ 1,179	$ 147	$ 9,805	$1,009	$1,314	$ (80)	$ 1,683	$16,516	$ 56,038

STATE OF MARYLAND

Combining Balance Sheet

Fiduciary Fund Types

June 30, 1988

(Expressed in Thousands)

				Agency Funds						
	Expendable Trust Fund	Non-expendable Trust Fund	Pension Trust Fund	Patient and Prisoner Accounts	Deferred Compensation Plan	Local Highway Grants	Local Admissions and Amusement Taxes	Local Income Taxes	Payroll Taxes and Fringe Benefits	Total
Assets:										
Cash and short-term investments		$ 81,551		$4,530	$ 247		$7,199	$294,544	$ 7,970	$ 396,041
Investments		283,112	$8,114,851		288,676				1,976	8,688,615
Amount on deposit with U.S. Treasury	$570,024									570,024
Taxes receivable	55,861									55,861
Other accounts receivable		11,655	9,752		3,984				651	26,042
Due from other funds								153,959		153,959
Inventories		105								105
Property, plant and equipment, net		2,002								2,002
Total assets	$625,885	$378,425	$8,124,603	$4,530	$292,907	$-0-	$7,199	$448,503	$ 10,597	$9,892,649
Liabilities:										
Accounts payable and accrued liabilities	$ 7,106		$ 893	$4,530	$ 125				$ 1,490	$ 14,144
Due to other funds							$1,142		9,107	10,249
Accounts payable to political subdivisions and local income tax refunds							6,057	$448,503		454,560
Accrued insurance losses		$248,500								248,500
Other liabilities		11,682	3,990							15,672
Deferred compensation benefits payable					292,782					292,782
Deferred revenue		24,538								24,538
Total liabilities	7,106	284,720	4,883	4,530	292,907		7,199	448,503	10,597	1,060,445
Fund balances:										
Reserved for:										
Pension benefits			8,119,720							8,119,720
Workers' compensation benefits		89,615								89,615
Unemployment compensation benefits	618,779									618,779
Unrealized market appreciation on investments		4,090								4,090
Total fund balances	618,779	93,705	8,119,720							8,832,204
Total liabilities and fund balances	$625,885	$378,425	$8,124,603	$4,530	$292,907	$-0-	$7,199	$448,503	$ 10,597	$9,892,649

STATE OF MARYLAND

Combining Statement of Changes in Assets and Liabilities – All Agency Funds for the year ended June 30, 1988

(Expressed in Thousands)

	Balance July 1, 1987	Additions	Deletions	Balance June 30, 1988
Patient and Prisoner Accounts				
Assets:				
Cash and short-term investments	$ 4,190	$ 12,006	$ 11,666	$ 4,530
Liabilities:				
Accounts payable and accrued liabilities	$ 4,190	$ 9,364	$ 9,024	$ 4,530
Deferred Compensaton Plan				
Assets:				
Cash and short-term investments	$ 263	$ 1,490	$ 1,506	$ 247
Investments	260,530	47,786	19,640	288,676
Other accounts receivable	4,758	3,984	4,758	3,984
Total assets	$265,551	$ 53,260	$ 25,904	$292,907
Liabilities:				
Accounts payable and accrued liabilities	$ 290	$ 125	$ 290	$ 125
Deferred compensation benefits payable	265,261	43,055	15,534	292,782
Total liabilities	$265,551	$ 43,180	$ 15,824	$292,907
Local Highway Grants				
Assets:				
Cash and short-term investments	$ 0	$ 85,081	$ 85,081	$ 0
Liabilities:				
Accounts payable to political subdivisions	$ 0	$ 85,081	$ 85,081	$ 0
Local Admissions and Amusements Taxes				
Assets:				
Cash and short-term investments	$ 6,724	$ 24,085	$ 23,610	$ 7,199
Liabilities:				
Due to other funds	$ 1,014	$ 1,142	$ 1,014	$ 1,142
Accounts payable to political subdivisions	5,710	22,893	22,546	6,057
Total liabilities	$ 6,724	$ 24,035	$ 23,560	$ 7,199
Local Income Taxes				
Assets:				
Cash and short-term investments	$267,565	$1,162,827	$1,135,848	$294,544
Due from other funds	82,804	153,959	82,804	153,959
Total assets	$350,369	$1,316,786	$1,218,652	$448,503
Liabilities:				
Accounts payable to political subdivisions and local income tax refunds	$350,369	$1,241,892	$1,143,758	$448,503
Payroll Taxes and Fringe Benefits				
Assets:				
Cash and short-term investments	$ 25,197	$1,345,965	$1,363,192	$ 7,970
Investments	3,561	470	2,055	1,976
Other accounts receivable	31	641	21	651
Total assets	$ 28,789	$1,347,076	$1,365,268	$ 10,597
Liabilities:				
Accounts payable and accrued liabilities	$ 27,355	$1,335,423	$1,361,288	$ 1,490
Due to other funds	1,434	9,107	1,434	9,107
Total liabilities	$ 28,789	$1,344,530	$1,362,722	$ 10,597
Totals – All Agency Funds				
Assets:				
Cash and short-term investments	$303,939	$2,631,454	$2,620,903	$314,490
Investments	264,091	48,256	21,695	290,652
Other accounts receivable	4,789	4,625	4,779	4,635
Due from other funds	82,804	153,959	82,804	153,959
Total assets	$655,623	$2,838,294	$2,730,181	$763,736
Liabilities:				
Accounts payable and accrued liabilities	$ 31,835	$1,344,912	$1,370,602	$ 6,145
Due to other funds	2,448	10,249	2,448	10,249
Accounts payable to political subdivisions and local income tax refunds	356,079	1,349,866	1,251,385	454,560
Deferred compensation benefits	265,261	43,055	15,534	292,782
Total liabilities	$655,623	$2,748,082	$2,639,969	$763,736

STATE OF MARYLAND

Schedule of Fixed Assets and Accumulated Depreciation

June 30, 1988

(Expressed in Thousands)

	Land and Improvements	Structure and Improvements	Equipment	Construction in Progress	Total Cost	Accumulated Depreciation	Total Cost Less Accumulated Depreciation
Proprietary Fund Type (By Fund)							
Economic Development—Insurance Programs			$ 233		$ 233	$ 17	$ 216
Economic Development—Loan Programs			628		628	22	606
Maryland Food Center Authority	$ 8,127	$ 9,848	403	18,378	2,317	16,061	
Maryland Transportation Authority		1,731,780			1,731,780		1,731,780
Maryland State Lottery			18,356		18,356	16,133	2,223
Maryland Environmental Service		20,998	3,902		24,900	12,436	12,464
State Use Industries		262	3,571		3,833	2,085	1,748
Maryland Higher Education Loan Corporation			213		213	129	84
Maryland Deposit Insurance Fund Corporation			229		229	160	69
Maryland Stadium Authority			46		46	16	30
Total	$ 8,127	$1,762,888	$ 27,581		$1,798,596	$33,315	$1,765,281
Fiduciary Fund Types							
Nonexpendable Trust Fund	$ 164		$ 2,532		$ 2,696	$ 694	$ 2,002
General Fixed Assets (By Function)							
General government	$ 30,456	$ 298,386	$ 73,105	$ 19,396	$ 421,343		$ 421,343
Education		14,921	8,566		23,487		23,487
Economic and employment development	357	5,324	9,333		15,014		15,014
Human resources			12,460		12,460		12,460
Health and mental hygiene	17,368	218,455	37,812	30,453	304,088		304,088
Environment			5,682		5,682		5,682
Transportation	256,265	1,237,999	442,879	210,331	2,147,474		2,147,474
Public safety and judicial	22,666	316,702	88,845	7,551	435,764		435,764
Housing and community development	2,475	5,283	1,822	4,387	13,967		13,967
Natural resources and recreation	230,005	47,819	28,524	13,959	320,307		320,307
Agriculture	66	14,719	6,752	4,198	25,735		25,735
Total	$559,658	$2,159,608	$715,780	$290,275	$3,725,321		$3,725,321
Higher Education	$ 54,088	$ 883,695	$429,446	$ 69,847	$1,437,076		$1,437,076

STATE OF MARYLAND

Schedule of Changes in General Fixed Assets by Function

for the year ended June 30, 1988

(Expressed in Thousands)

	Balance July 1, 1987	Additions	Deletions	Transfer In (Out)	Balance June 30, 1988
Function:					
General government	$ 400,821	$ 22,062	$ 1,526	$ (14)	$ 421,343
Education	22,450	1,408	371		23,487
Economic and employment development	13,043	1,186	121	906	15,014
Human resources	12,224	1,754	1,377	(141)	12,460
Health and mental hygiene	298,593	9,901	1,875	(2,531)	304,088
Environment		2,790	407	3,299	5,682
Transportation	1,976,195	190,831	19,666	114	2,147,474
Public safety and judicial	378,613	63,470	6,121	(198)	435,764
Housing and community development	14,576	456	153	(912)	13,967
Natural resources and recreation	304,991	17,891	2,046	(529)	320,307
Agriculture	21,814	4,299	384	6	25,735
Total	$3,443,320	$316,048	$34,047	$ -0-	$3,725,321

STATE OF MARYLAND

Schedule of Estimated and Actual Revenues By Source – Budgetary Basis

for the year ended June 30, 1988

(Expressed in Thousands)

	Annual Budgeted Funds										Capital Projects Fund	Other Funds	Total
	General Fund		Special Fund		Federal Fund		Higher Education Funds: Current Unrestricted Fund		Higher Education Funds: Current Restricted Fund				
	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Actual Revenues	Actual Revenues	Actual Revenues
Taxes:													
Property tax	$ 48,093	$ 48,698	$ 154,302	$ 174,271								$ 1,234	$ 224,203
Franchise and corporation tax	126,018	139,716	13,050	13,077									152,793
Death taxes	52,732	61,727											61,727
Recordation tax		75										733	808
Admission and amusement tax			1,143	1,143									1,143
Alcoholic beverages tax	19,050	17,756	9,438	10,267									28,023
Motor vehicle fuel taxes	9,898		328,353	441,618									441,618
Income taxes	2,501,031	2,572,062	124,703	118,989									2,691,051
Retail sales and use taxes	1,408,922	1,423,585											1,423,585
Cigarette tax	51,000	50,723	14,831	14,619									65,342
Other tobacco taxes		108		44									152
Motor vehicle titling taxes	850		305,000	339,255									339,255
Insurance company taxes	125,380	128,103											128,103
Horse racing taxes	1,802		1,998	2,726									2,726
Shellfish taxes			3,344	321									321
Boxing, wrestling or sparring taxes		449											449
Apple tax			34	17									17
Boat titling tax		225	11,144	21,499									21,724
Energy generation tax			4,452	4,430									4,430
Emergency telephone system tax			9,125	8,118									8,118
Unemployment insurance taxes												214,813	214,813
Total taxes	4,344,776	4,443,227	980,915	1,150,394								216,780	5,810,401
Other:													
Licenses and permits	10,812	48,771	141,600	158,074								8,985	215,830
Fees for services	25,415	19,350	118,522	122,786								230,413	372,549
Fines and costs	45,413	56,690	1,835	5,370								4,590	66,650
Sales to the public	1,743	2,315	25,531	33,288								438,757	474,360
Commissions and royalties	51	79	40,017	20,022									20,101
Rentals	618	605	26,282	37,619								1,961	40,185
Interest on investments	45,936	67,738	22,763	14,088		$ 568					$ 3,466	1,014,540	1,100,400
Interest on loan repayments			17,300	13,965								312	14,277
Miscellaneous	45,475	11,657	17,992	24,124		72						(11,846)	24,007
Colleges and Universities	183	381					$947,707	$947,986	$193,099	$185,691		27,148	1,161,208
Federal reimbursements and grants	56,343	77,664	10,155	322	$1,751,542	1,620,028						44,276	1,742,290
Other reimbursements	31,642	18,543	223,716	102,395		28,302						15,049	164,259
Provisions for refunds												92	92
Bond issues:													
State–general purpose				703							299,880	(2,084)	298,499
Consolidated Transportation Bonds												18,086	18,086
Loan repayments				2,847									2,847
State reimbursements	324,761	375,932	421,950	236,184	10,938	19,032					52,083	59,045	742,276
Trust funds			5,714	5,315								147,883	153,198
Revolving accounts		884	17,586	11,339		676						(816)	12,083
Reduction of expenditures	6	925		4		14						(25)	918
Advance collections				582								181	763
Contributions												683,337	683,337
Total revenues	$4,933,174	$5,124,761	$2,071,878	$1,939,421	$1,762,480	$1,668,692	$947,707	$947,986	$193,099	$185,691	$355,429	$2,896,664	$13,118,644

STATE OF MARYLAND

Schedule of Budget and Actual Expenditures and Encumbrances by Major Function

Budgetary Basis

for the year ended June 30, 1988

(Expressed in Thousands)

Expenditures and Encumbrances by Major Function	Annual Budgeted Funds										Capital Projects Fund	Other Funds	Total
	General Fund		Special Fund		Federal Fund		Higher Education Funds						
							Current Unrestricted Fund		Current Restricted Fund				
	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Actual	Actual	Actual
Payments of revenue to civil divisions of the State	$ 71,000	$ 70,506	$ 45,599	$ 45,399									$ 115,905
Public debt	88,000	88,000	303,500	303,500									391,500
Legislative	30,566	30,288	60	23									30,311
Judicial review and legal	122,563	122,316	1,567	1,426	$ 1,124	$ 1,007						$ 6,771	131,520
Executive and administrative control	137,416	136,068	4,041	3,649	26,550	24,615						3,484	167,816
Financial and revenue administration	156,183	154,193	34,543	33,080	1,476	1,403						596,476	785,152
Budgetary and fiscal administration	5,703	5,703	189	156									5,859
Personnel administration, retirement and employee relations	10,313	9,636	13,386	11,301								615,496	636,433
State planning	4,697	4,690	955	955	476	138						32	5,815
General services	40,981	40,981	1,279	795								851	42,627
Transportation and highways			1,324,270	1,253,324	560,059	512,217						180,012	1,945,553
Natural resources and recreation	51,421	51,378	74,165	70,761	10,672	8,444						11,916	142,499
Agriculture	17,246	16,998	10,653	10,167	2,697	2,558						1,531	31,254
Health, hospitals and mental hygiene	1,105,888	1,104,949	57,966	38,023	473,425	469,102						(1,797)	1,610,277
Human resources	330,573	328,384	47,004	38,136	306,076	291,591						11,014	669,125
Licensing and regulation	25,530	25,529	15,053	6,634	3,231	3,069						(2,305)	32,927
Public safety and correctional services	439,168	435,983	42,880	42,799	4,203	2,502						1,363	482,647
Public education	2,158,902	2,154,725	31,796	30,752	226,941	215,266	$947,707	$944,458	$193,099	$185,764		(62,754)	3,468,211
Housing and community development	26,398	26,058	46,710	28,445	43,483	31,957						102,691	189,151
Economic and employment development	29,396	29,393	12,986	7,448	89,486	81,458						245,038	363,337
Environment	21,707	21,705	3,276	2,903	12,581	12,572							37,180
State reserve fund	38,000	38,000											38,000
Loan accounts											$255,979		255,979
Miscellaneous												56	56
Reversions:													
Current year reversions	(15,000)												
Prior year reversions		(2,987)		(3,598)		(2,557)		(646)					(9,788)
Total expenditures and encumbrances	$4,896,651	$4,892,496	$2,071,878	$1,926,078	$1,762,480	$1,655,342	$947,707	$943,812	$193,099	$185,764	$255,979	$1,709,875	$11,569,346

STATE OF MARYLAND

Schedule of Changes in Fund Equities – Budgetary Basis

for the year ended June 30,1988

(Expressed in Thousands)

	General Fund	Special Fund: Other Special	Special Fund: Debt Service	Federal Fund	Higher Education: Current Unrestricted Fund	Higher Education: Current Restricted Fund	Capital Projects Fund	Other Funds	Total
Fund equities, July 1, 1987	$ 298,245	$ 318,687	$ 86,711		$130,253	$ 1,942	$ 72,988	$ 9,834,912	$10,743,738
Increase:									
Revenues	5,124,761	1,639,834	299,587	$1,668,692	947,986	185,691	355,429	2,896,664	13,118,644
Decrease:									
Appropriations	4,911,651	1,768,378	303,500	1,762,480	947,707	193,099			
Less: Current year reversions	(16,168)	(142,202)		(104,581)	(3,249)	(7,335)			
Prior year reversions	(2,987)	(3,598)		(2,557)	(646)				
Expenditures and encumbrances	4,892,496	1,622,578	303,500	1,655,342	943,812	185,764	255,979	1,709,875	11,569,346
Changes to encumbrances during fiscal year 1988	(5,366)	(1,314)		(716)	1,834	1			(5,561)
Expenditures	4,887,130	1,621,264	303,500	1,654,626	945,646	185,765	255,979	1,709,875	11,563,785
Transfers in (out)	21,849	16,036	(202)	(14,066)	10	(109)	1,574	(25,092)	
Changes in contributed capital								9,068	9,068
Decrease in unrealized market appreciation of investments								(6,845)	(6,845)
Reduction in income tax contingency								20,200	20,200
Gain on sale of securities								961,800	961,800
Fund equities, June 30, 1988	$ 557,725	$ 353,293	$ 82,596	$ -0-	$132,603	$ 1,759	$174,012	$11,980,832	$13,282,820
Invested in fixed assets								$ 1,327,900	$ 1,327,900
Contributed capital								991,360	991,360
Capital deposits by members								144,224	144,224
Retained earnings:									
Reserved								108,662	108,662
Unreserved								684,865	684,865
Fund Balance:									
Reserved:									
Encumbrances	$ 43,846	$ 45,351		$ 23,769	$ 12,518	$ 1	$260,267		385,752
Loans and notes receivable			$ 17,518						17,518
Loans to other funds	1,945								1,945
Higher education programs								36,712	36,712
Shore erosion loan programs		13,072							13,072
Endowment and similar funds								38,476	38,476
Pension benefits								8,119,720	8,119,720
Workers' compensation benefits								89,615	89,615
Unemployment compensation benefits								618,779	618,779
Unrealized market appreciation on investments								4,090	4,090
Unreserved:									
Designated for:									
General long-term debt service			65,078						65,078
Transportation debt service								84,192	84,192
State reserve fund	103,449								103,449
Emergency medical services system		31,000							31,000
Fiscal year 1989 operations	180,830								180,830
Undesignated (deficit)	227,655	263,870		(23,769)	120,085	1,758	(86,255)	(267,763)	235,581
Total	$ 557,725	$ 353,293	$ 82,596	$ -0-	$132,603	$ 1,759	$174,012	$11,980,832	$13,282,820

STATE OF MARYLAND

Schedule of Funds Transferred to Political Subdivisions

for the year ended June 30,1988[1]

(Expressed in Thousands)

Subdivision[2]	State Sources				Other Sources			Assessed Value of Real and Personal Property[2]	Amount Per $100 of Assessed Value
	Shared Revenues	Direct Grants and Appropriations	Debt Service	Total	Federal Funds	State Administered Local Revenue	Total		
Allegany	$ 3,628	$ 43,697	$ 5,262	$ 52,587	$ 6,961	$ 10,782	$ 70,330	$ 853,655	$ 8.24
Anne Arundel	17,522	170,647	22,686	210,855	13,759	125,454	350,068	6,865,572	5.10
Baltimore County	32,471	253,396	14,388	300,255	18,433	216,647	535,335	10,427,297	5.13
Calvert	2,383	20,885	4,072	27,340	3,147	6,451	36,938	1,399,799	2.64
Caroline	2,242	14,891	1,829	18,962	2,000	3,910	24,872	242,027	10.28
Carroll	6,064	53,171	6,668	65,903	3,864	31,263	101,030	1,555,992	6.49
Cecil	3,749	44,042	3,031	50,822	3,593	13,447	67,862	768,823	8.83
Charles	4,616	51,616	7,446	63,678	4,483	21,194	89,355	1,517,312	5.89
Dorchester	2,586	16,747	3,728	23,061	2,609	4,846	30,516	393,282	7.76
Frederick	7,010	65,252	9,245	81,507	4,734	36,529	122,770	1,903,376	6.45
Garrett	2,954	19,171	3,343	25,468	2,219	3,898	31,585	392,028	8.06
Harford	7,132	78,939	10,501	96,572	6,386	43,315	146,273	2,056,124	7.11
Howard	7,055	62,982	10,141	80,178	2,928	63,409	146,515	3,386,802	4.33
Kent	1,443	8,921	1,039	11,403	995	3,438	15,836	255,910	6.19
Montgomery	24,327	239,260	20,090	283,677	18,715	302,001	604,393	17,630,127	3.43
Prince George's	21,926	313,872	20,369	356,167	30,585	170,233	556,985	9,956,463	5.59
Queen Anne's	2,582	20,225	1,516	24,323	1,456	7,631	33,410	516,202	6.47
St. Mary's	3,544	39,770	4,031	47,345	3,329	13,579	64,253	858,970	7.48
Somerset	1,737	13,629	3,333	18,699	2,283	2,381	23,363	201,882	11.57
Talbot	2,170	9,303	830	12,303	1,328	8,839	22,470	677,839	3.31
Washington	5,524	55,776	6,559	67,859	6,452	21,065	95,376	1,283,648	7.43
Wicomico	4,172	35,022	3,812	43,006	4,559	13,909	61,474	939,005	6.55
Worcester	2,700	13,282	2,971	18,953	2,174	4,348	25,475	1,605,424	1.59
Baltimore City	147,665	593,568	31,005	772,238	149,292	141,937	1,063,467	6,521,361	16.31
Total	$317,202	$2,238,064	$197,895	$2,753,161	$296,284	$1,270,506	$4,319,951	$72,208,920	

[1] In addition to the amounts shown for counties and Baltimore City, $33,528,000 was distributed to municipalities within the counties.

[2] Source: Forty-fourth Report of the Department of Assessments and Taxation, dated January 1988. Amounts shown are the local subdivision's assessable base only.

STATE OF MARYLAND

Schedule of Taxes Receivable from Collectors of State Property Taxes

June 30, 1988

(Expressed in Thousands)

Political Subdivision	Taxes Receivable		
	Current Year	Prior Years	Total
Allegany	$ 93	$ 40	$ 133
Anne Arundel	54	27	81
Baltimore County	59	72	131
Calvert	117	(5)	112
Caroline	32	2	34
Carroll	28	8	36
Cecil	45	18	63
Charles	7	18	25
Dorchester	59	29	88
Frederick	257		257
Garrett	70	4	74
Harford	39	4	43
Howard	29	82	111
Kent	41		41
Montgomery	352	607	959
Prince George's	62	37	99
Queen Anne's	4	2	6
St. Mary's	122	36	158
Somerset	53	25	78
Talbot	5	15	20
Washington	147	37	184
Wicomico	105	11	116
Worcester	119	5	124
Baltimore City	115	271	386
Total	$2,014	$1,345	$3,359

STATE OF MARYLAND

Schedule of Estimated Revenues — Budgetary Basis

for the year ending June 30, 1989

(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Property taxes	$ 25,029	$ 183,530[1]				$ 208,559
Franchise and corporation taxes	132,543	9,280				141,823
Death taxes	56,617					56,617
Alcoholic beverage taxes and licenses	19,510	9,250				28,760
Admission taxes		1,097				1,097
Motor vehicle fuel taxes and licenses	10,126	458,674				468,800
Income taxes	2,663,966	132,889				2,796,855
Retail sales and use tax and licenses	1,501,292					1,501,292
State tobacco tax and licenses	50,850	14,650				65,500
Motor vehicle tax and licenses	900	517,415				518,315
Insurance company taxes, licenses and fees	126,530					126,530
Horse race taxes and licenses	1,590	1,996				3,586
District courts fines and costs	46,500					46,500
Interest on investments	50,000	5,000				55,000
Hospital patient recoveries	87,184					87,184
Miscellaneous taxes, fees and other revenues	39,254	30,681[2]				69,935
Legislative	596	100				696
Judicial review and legal	18,570	1,441	$ 946			20,957
Executive and administrative control	138	19,227	29,423			48,788
Financial and revenue administration	373,713	24,585	2,036			400,334
Budgetary and fiscal administration	757	220				977
Personnel administration, retirement and employee relations		10,749				10,749
State planning		810	464			1,274
General services	21	864				885
Transportation and highways		240,226	527,940			768,166
Natural resources and recreation	50	60,050	9,080			69,180
Agriculture	76	8,649	2,437			11,162
Health, hospitals and mental hygiene	8,698	45,346	486,729			540,773
Human resources	937	37,599	308,005			346,541
Licensing and regulation	7,988	2,461	3,498			13,947
Public safety and correctional services	661	35,624	4,018			40,303
Public education	222	33,753	217,958	$1,004,014	$197,479	1,453,426
Housing and community development		49,155	43,226			92,381
Economic and employment development		11,528	79,967			91,495
Environment		2,875	12,937			15,812
Total	5,224,318	1,949,724	1,728,664	1,004,014	197,479	10,104,199
Transfers from other funds	7,000					7,000
Total reported revenues	$5,231,318	$1,949,724	$1,728,664	$1,004,014	$197,479	$10,111,199[3]

[1] Includes $144,530,000 recorded as Debt Service Fund for accounting purposes.
[2] Includes $13,181,000 recorded as Debt Service Fund for accounting purposes.
[3] Amounts are reported at July 1, 1988, and do not reflect revisions, if any, subsequent to that date.

STATE OF MARYLAND

Schedule of General, Special, Federal, Current Unrestricted and Current Restricted Fund Appropriations – Budgetary Basis for the year ended June 30, 1989

(Expressed in Thousands)

Functions	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Payments of revenue to civil divisions of the State	$ 78,000	$ 38,105				$ 116,105
Public debt	86,000	157,711[1]				243,711
Legislative	33,427	100				33,527
Judicial review and legal	128,219	1,441	$ 946			130,606
Executive and administrative control	187,408	19,227	29,423			236,058
Financial and revenue administration	156,951	34,787	2,036			193,774
Budgetary and fiscal administration	6,438	220				6,658
Personnel administration, retirement and employee relations	96,510	10,749				107,259
State planning	4,925	810	464			6,199
General services	40,756	864				41,620
Transportation and highways		1,334,114	527,940			1,862,054
Natural resources and recreation	55,269	96,192	9,080			160,541
Agriculture	19,004	14,609	2,437			36,050
Health, hospitals and mental hygiene	1,192,994	45,346	486,728			1,725,068
Human resources	351,437	37,599	308,005			697,041
Licensing and regulation	25,455	2,461	3,498			31,414
Public safety and correctional services	472,402	57,728	4,019			534,149
Public education	2,302,870	34,103	217,958	$1,004,014	$197,479	3,756,424
Housing and community development	23,597	49,155	43,226			115,978
Economic and employment development	28,241	11,528	79,967			119,736
Environment	25,641	2,875	12,937			41,453
State reserve fund	111,605					111,605
Total appropriations	$5,427,149	$1,949,724	$1,728,664	$1,004,014	$197,479	$10,307,030[2]

[1] Recorded as Debt Service Fund for accounting purposes.

[2] Amounts are reported at July 1, 1988, and do not reflect revisions, if any, subsequent to that date.

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STATISTICAL SECTION

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STATE OF MARYLAND

Schedule of General Government Revenues by Source, Expenditures by Function and Other Sources (Uses) of Financial Resources and Changes in Fund Balances General, Special Revenue, Debt Service and Capital Projects Funds Last Ten Fiscal Years

(Expressed in Thousands)

	Year ended June 30,									
	1988[a]	1987	1986	1985	1984	1983	1982	1981	1980	1979
Revenues:										
Income taxes	$2,676,213	$2,484,692[b]	$ 2,140,594	$ 1,968,106	$ 1,803,939	$ 1,558,515	$ 1,452,355	$ 1,363,909	$ 1,219,352	$ 1,107,459
Retail sales and use taxes	1,423,585	1,302,463	1,189,603	1,098,445	988,284	865,087	797,397	753,674	712,815	699,188
Motor vehicle taxes and fees	948,606	794,946	741,940	683,774	635,602	518,274	436,533	417,302	414,178	431,010
Other taxes	823,790	751,081	641,767	584,254	574,353	550,664	510,021	478,221	438,556	395,457
Other licenses and fees	111,453	102,285	91,104	77,497	70,387	57,468	49,426	38,463	35,882	35,732
Charges for services	353,270	284,983	238,862	266,453	229,160	185,585	193,157	174,986	143,331	117,219
Interest and other investment income	90,441	65,436	94,464	104,262	84,421	96,621	124,999	115,358	111,239	79,554
Other	184,384	174,834	173,133	134,298	111,128	87,588	80,872	107,517	123,157	135,679
Gain on defeasance of transportation bonds		39,543	53,337							
Federal	1,578,753	1,493,164	1,366,667	1,253,000	1,146,614	1,097,953	928,906	1,029,790	996,053	881,964
Total revenues	8,190,297	7,493,427	6,751,471	6,170,089	5,643,888	5,017,775	4,573,766	4,479,220	4,194,565	3,883,262
Expenditures:										
Current:										
General government	410,519	266,251	248,951	233,441	199,323	217,869	205,972	197,909	248,079	147,529
Education	1,759,450	1,621,797	1,516,492	1,422,008	983,603	956,799	934,163	891,961	816,402	740,997
Economic and employment development	113,605									
Human resources	669,341	680,408	674,346	602,396	543,078	521,613	465,299	510,244	426,150	375,058
Health and mental hygiene	1,609,327	1,567,412	1,406,629	1,265,849	1,131,159	1,025,195	896,743	860,266	769,676	657,604
Environment	37,140									
Transportation	537,686	486,551	544,004	414,230	380,167	330,262[c]	666,070	655,324	619,629	571,347
Public safety and judicial	559,504	536,267	471,621	433,904	317,823	333,387	286,223	270,379	266,028	271,390
Housing and community development	52,273	39,890	26,434	-27,172	24,088	21,137	17,238	18,464	13,754	10,719
Natural resources and recreation	98,541	94,254	82,787	73,952	59,259	59,487	53,974	56,238	42,022	44,809
Agriculture	30,626	31,453	27,909	23,341	20,650	18,655	16,662	13,232	9,971	9,162
Personnel and retirement		21,773	21,273	31,784[d]	508,567	414,860	334,725	333,892	323,618	308,033
Intergovernmental	784,255	690,520	497,158	525,623	513,755	410,436	376,043	466,260	392,772	390,334
Debt service	435,886	444,079	455,580	433,482	425,977	436,328	411,313	315,866	293,895	269,810
Capital outlay	929,024	833,923	685,516	573,053	485,615	595,474	128,424	96,787	70,249	58,801
Total expenditures	8,027,477	7,314,578	6,659,000	6,060,235	5,590,084	5,341,502	4,792,849	4,686,844	4,292,245	3,855,593
Excess (deficiency) of revenues over expenditures	162,820	178,849	92,471	109,854	53,804	(323,727)	(219,083)	(207,624)	(97,680)	27,669
Other sources (uses) of financial resources:										
Proceeds from capital leases	30,250	12,743								
Proceeds from bond issues	321,358	275,068	133,380	163,200	146,470	473,105	253,880	644,335	162,310	120,000
Proceeds from refunding bonds		29,053								
Operating transfers in	337,107	332,366	323,423	252,517	211,935	201,668	208,341	171,422	166,702	130,061
Operating transfers out	(507,772)	(478,367)	(582,044)	(383,393)	(363,309)	(362,651)	(322,959)	(308,330)	(292,657)	(258,497)
Defeasance of bonds		(155,725)	(354,865)							
Payment to refunded bond escrow agent		(29,053)								
Net other sources (uses) of financial resources	180,943	(13,915)	(480,106)	32,324	(4,904)	312,122	139,262	307,427	36,355	(8,436)
Excess (deficiency) of revenues over expenditures and net other sources (uses) of financial resources	343,763	164,934	(387,635)	142,178	48,900	(11,605)	(79,821)	99,803	(61,325)	19,233
Fund balance, July 1	681,940	517,006	904,641	762,463	713,563	717,168	803,584	693,781	742,106	722,853
Adjustments							(6,595)[e]			
Fund balance, July 1, as restated	681,940	517,006	904,641	762,463	713,563	717,168	796,989	693,781	742,106	722,853
Equity transfers						(3,700)[f]		10,000	13,000	
Fund balance, June 30	$ 1,025,703	$ 681,940	$ 517,006	$ 904,641	$ 762,463	$ 713,563	$ 717,168	$ 803,584	$ 693,781	$ 742,106

Source: General Accounting Division, State Comptroller's Office

[a] Effective July 1, 1981, the Maryland Higher Education Loan Corporation's activities were recorded in the enterprise funds and its beginning equity was reclassified from the general fund balance to retained earnings in the enterprise funds.

[b] Effective July 1, 1982, capital outlays for transportation projects are reported in Capital Outlays instead of Transportation.

[c] During 1983 the Lottery returned $8,000,000 to the General Fund. This return of contributed capital has been reported as an equity transfer.

[d] Effective July 1, 1984 fringe benefit costs are allocated to the various governmental functions.

[e] The income taxes revenue has been reduced by $55,734,000 from that reported previously because of a mathematical error made at June 30,1987. See Note 3 of the Notes to General Purpose Financial Statements.

[f] Beginning in fiscal year 1988, as a result of a State-wide reorganization, certain expenditures are reported in different classifications.

STATE OF MARYLAND

Schedule of Property Tax Levies and Collections

Last Ten Fiscal Years

(Expressed in Thousands)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Tax Levy
1988	$133,855	$131,841	98.50%	$2,183	$134,024	100.13%	$3,359	2.51%
1987	121,289	119,032	98.14	1,779	120,811	99.61	3,904	3.22
1986	110,507	108,824	98.48	2,582	111,406	100.81	3,606	3.26
1985	101,302	98,706	97.44	5,510	104,216	102.88	5,332	5.26
1984	116,737	111,254	95.30	4,390	115,644	99.06	8,362	7.16
1983	110,224	104,724	95.01	3,899	108,623	98.55	7,269	6.59
1982	101,418	97,200	95.84	1,888	99,088	97.70	5,668	5.59
1981	88,873	86,320	97.13	2,114	88,434	99.51	3,338	3.76
1980	82,777	80,668	97.45	2,183	82,851	100.09	2,899	3.50
1979	72,932	70,978	97.32	1,661	72,639	99.60	2,973	4.08

Source: State Comptroller's Office

STATE OF MARYLAND

Schedule of Assessed and Estimated Actual

Value of Taxable Property

Last Ten Fiscal Years

(Expressed in Thousands)

	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual Value
Fiscal Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1988	$60,250,700	$138,587,004	$20,319,858	$20,319,858	$80,570,558	$158,906,862	50.7%
1987	54,469,062	125,288,239	18,608,122	18,608,122	73,077,184	143,896,361	50.8
1986	49,783,232	114,510,022	16,619,926	16,619,926	66,403,158	131,129,948	50.6
1985	45,115,407	103,731,464	15,717,115	15,717,115	60,832,522	119,448,579	50.9
1984	41,315,153	93,342,897	15,384,517	15,384,517	56,699,670	108,727,414	52.1
1983	37,955,616	83,173,437	14,270,604	14,270,604	52,226,220	97,444,041	53.6
1982	35,220,078	74,936,338	12,544,327	12,544,327	47,764,406	87,480,665	54.6
1981	32,352,018	68,834,081	11,342,424	11,342,424	43,694,442	80,176,505	54.5
1980	30,912,809	65,771,934	10,290,728	10,290,728	41,203,537	76,062,662	54.2
1979	26,911,027	57,257,504	9,470,369	9,470,369	36,381,396	66,727,873	54.5

Source: The Thirty-fifth through Forty-fourth Report of the State Department of Assessments and Taxation.

STATE OF MARYLAND

Schedule of Property Tax Rates-
(Per $100 of Assessed Value)
All Overlapping Governments
Last Ten Fiscal Years

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
State of Maryland	$ .21	$ .21	$ .21	$ .21	$ .21	$ .21	$ .21	$ .20	$ .23	$ .23
Subdivisions:										
Allegany	2.40	2.50	2.70	2.56	2.49	2.11	2.21	2.22	2.19	2.35
Anne Arundel	2.51	2.51	2.57	2.68	2.68	2.31	2.46	2.23	2.15	2.15
Baltimore County	2.89	2.89	3.00	3.12	2.99	2.95	2.98	2.93	2.93	2.99
Calvert	2.23	1.96	1.96	1.96	1.96	1.96	1.96	2.00	2.00	2.10
Caroline	2.53	2.31	2.31	2.31	2.16	2.16	2.16	2.16	2.16	2.30
Carroll	2.08	2.03	2.03	2.08	2.04	2.04	2.12	2.12	1.93	2.15
Cecil	2.55	2.55	2.62	2.65	2.65	2.40	2.40	2.40	2.30	2.35
Charles	2.26	2.28	2.28	2.30	2.27	2.17	2.17	2.07	2.14	2.14
Dorchester	2.24	2.24	2.24	2.24	2.24	2.24	2.24	2.29	2.34	2.45
Frederick	2.19	2.19	2.22	2.25	2.25	2.25	2.28	2.28	2.11	2.23
Garrett	2.32	2.36	2.52	2.68	2.83	3.02	3.22	3.31	2.37	2.45
Harford	2.73	2.73	2.73	2.73	2.73	2.55	2.55	2.43	2.71	2.44
Howard	2.49	2.27	2.49	2.54	2.57	2.39	2.45	2.23	2.28	2.43
Kent	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.05
Montgomery	2.17	2.08	2.04	2.06	2.26	2.27	2.27	2.34	2.35	2.60
Prince George's	2.40	2.40	2.40	2.43	2.54	2.63	2.60	2.69	3.04	3.31
Queen Anne's	2.12	2.00	2.00	2.00	2.00	1.94	1.94	1.94	1.44	1.44
St. Mary's	2.28	2.14	1.99	1.90	1.90	1.80	1.80	1.80	1.80	1.90
Somerset	1.90	1.90	1.90	1.99	1.99	1.99	1.99	1.99	2.01	2.15
Talbot	0.93	1.01	1.09	1.18	1.27	1.34	1.42	1.49	1.51	1.69
Washington	2.13	2.05	2.05	2.05	1.98	1.98	2.07	2.19	2.21	2.46
Wicomico	1.85	1.85	1.76	1.78	1.78	1.78	1.78	1.78	1.70	1.60
Worcester	1.49	1.49	1.45	1.51	1.51	1.55	1.59	1.53	1.38	1.60
Baltimore City	6.00	6.00	6.00	6.00	5.99	5.96	5.97	5.93	5.94	5.97

Source: The Thirty-fifth through Forty-fourth Report of the State Department of Assessments and Taxation.

STATE OF MARYLAND

Schedule of Ratio of General Long-Term Debt
To Assessed Value and General Long-Term Debt Per Capita
Last Ten Fiscal Year

	(Expressed in Thousands)				
Fiscal Year	Estimated Population[1]	Assessed Value	General Long-term Debt[2][3]	Ratio of General Long-term Debt to Assessed Value	General Long-term Debt per Capita
1988	4,520	$80,570,558	$2,479,720	3.08%	$549
1987	4,464	73,077,184	2,417,980	3.31	542
1986	4,396	66,403,158	2,395,820	3.61	545
1985	4,388	60,832,522	3,027,555	4.98	690
1984	4,354	56,699,670	3,090,800	5.45	710
1983	4,319	52,226,220	3,167,090	6.06	733
1982	4,265	47,764,406	2,952,610	6.18	692
1981	4,216	43,694,442	2,943,560	6.74	698
1980	4,193	41,203,537	2,669,365	6.48	637
1979	4,149	36,381,396	2,669,310	7.34	643

[1] Source: Forty-fourth Report of the State Department of Assessments and Taxation, dated January 1988. Amounts shown are the State's assessable base only.
[2] Source: State Comptroller's Office
[3] Includes all long-term general obligation and transportation bonds.

STATE OF MARYLAND

Schedule of Ratio of Annual Debt Service for General Long-Term Debt to Total General Expenditures

Last Ten Fiscal Years

Fiscal Year	(Expressed in Thousands) Principal	Interest	Total Debt Service	Total General Expenditures[2]	Ratio of Debt Service to General Expenditures (Percent)
1988	$261,375	$174,511	$435,886	$7,269,118	6.00%
1987	258,395	185,684	444,079	6,626,656	6.70
1986	254,525	201,355	455,880	6,232,105	7.32
1985	226,445	207,037	433,482	5,618,058	7.72
1984	228,760	197,217	425,977	5,255,843	8.10
1983	192,625[1]	183,703[1]	376,328	4,907,011	7.67
1982	184,830[1]	166,483[1]	351,313	4,719,043	7.44
1981	173,015	142,853	315,868	4,726,965	6.68
1980	159,985	133,910	293,895	4,198,951	7.00
1979	133,969	135,841	269,810	3,766,208	7.16

[1] Excludes $60,000,000 of Bond Anticipation Notes for the Department of Transportation which were refinanced in the fiscal year 1983 and 1982, respectively.
[2] Total general governmental expenditures plus net operating transfers less capital outlays.
Source: General Accounting Division, State Comptroller's Office

STATE OF MARYLAND

Schedule of Revenue Bond Coverage

Last Ten Fiscal Years

(Expressed in Thousands)

Fiscal Year	MARYLAND TRANSPORTATION AUTHORITY Gross Revenues	Direct Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
1988	$108,029	$29,647	$78,382	$1,805	$17,137	$18,942	4.14
1987	100,235	27,731	72,504		17,236	17,236	4.21
1986	90,639	24,259	66,380	1,180	12,794	13,974	4.75
1985	74,343	20,794	53,549	1,105	7,709	8,814	6.08
1984	71,549	18,950	52,599	1,035	7,764	8,799	5.98
1983	67,411	17,759	49,652	970	7,815	8,785	5.65
1982	65,014	16,713	48,301	905	7,861	8,766	5.51
1981	63,797	15,436	48,361	850	7,903	8,753	5.53
1980	60,763	13,597	47,166	795	7,941	8,736	5.40
1979[1]	50,591	11,073	39,518	745	7,975	8,720	4.53

[1] Presented for the period August 24, 1978 through June 30, 1979, the period since the operations of its transportation facilities were combined.
Source: Maryland Transportation Authority.

STATE OF MARYLAND

Schedule of Taxes Pledged to Consolidated Transportation Bonds and Net Revenues as Defined for Purposes of Consolidated Transportation Bonds Coverage Tests

Last Ten Fiscal Years

(Expressed in Thousands)[1]

	Year ended June 30,									
	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
Revenues:										
Taxes and fees:										
Taxes pledged to bonds	$577,224	$480,513	$438,886	$403,372	$375,075	$297,593	$245,732	$236,586	$216,428	$227,546
Other taxes and fees	170,184	134,086	127,130	118,161	126,861	106,944	102,956	105,680	59,926	61,094
Total taxes and fees	747,408	614,599	566,016	521,533	501,936	404,537	348,688	342,268	276,354	288,640
Operating revenues	140,712	129,912	126,021	126,125	121,409	100,291	96,548	87,912	80,073	67,463
Investment income	9,168	10,957	13,644	16,812	12,785	6,431	21,261	10,308	3,616	5,682
Other	8,444	4,228	5,419	3,352	4,056	1,449	971	1,046	1,299	796
Transfer Maryland Transportation Authority								10,000	13,000	
Total revenues	905,732	759,696	711,100	667,822	640,186	512,708	467,468	451,534	374,342	362,581
Administration, operation, and maintenance expenditures	472,183	435,281	423,502	379,563	345,469	319,923	280,561	258,906	221,438	192,828
Less federal funds	(17,771)	(20,801)	(19,648)	(21,245)	(20,274)	(19,221)	(30,394)	(35,160)	(16,288)	(24,191)
Total	454,412	414,480	403,854	358,318	325,195	300,702	250,167	223,746	205,150	168,637
Net revenues	$451,320	$345,216	$307,246	$309,504	$314,991	$212,006	$217,301	$227,788	$169,192	$193,944
Maximum annual principal and interest requirements	$ 33,594	$ 33,594	$ 25,175	$ 46,084	$ 53,008	$ 53,008	$ 50,325	$ 50,894	$ 49,216	$ 53,065
Ratio of net revenues to maximum annual principal and interest requirements	13.43	10.27	12.20	6.72	5.94	4.00	4.32	4.48	3.44	3.65
Ratio of taxes pledged to bonds to maximum annual principal and interest requirements	17.18	14.30	17.43	8.75	7.08	5.61	4.88	4.65	4.40	4.29

Source: The Secretary's Office of the Department of Transportation.

[1] Under the terms of the bond authorizing resolutions, additional Consolidation Transportation Bonds may be issued, provided, among other conditions, that (i) total receipts, less administration, operation and maintenance expenditures for the preceding fiscal year equal at least two times maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued and any then outstanding Maryland Port Authority Loans and that (ii) total proceeds from pledged taxes equal at least two times maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued and any then outstanding Maryland Port Authority Loans.

STATE OF MARYLAND

Schedule of Demographic Statistics

Last Ten Years

Fiscal Year	Population [1]	Per Capita Income [2]	School Enrollment [3]	Unemployment Rate [4]
1988	4,520,000	N/A	901,139	4.2%
1987	4,464,000	$17,722	880,409	4.4
1986	4,396,000	16,588	871,996	4.3
1985	4,387,000	15,864	874,540	4.4
1984	4,354,000	14,121	888,428	5.8
1983	4,319,000	12,994	909,418	8.0
1982	4,265,000	12,237	925,622	8.4
1981	4,216,000	11,533	950,548	7.3
1980	4,193,000	10,385	971,236	6.5
1979	4,149,000	9,319	1,000,435	5.9

Sources:

[1] U.S. Department of Commerce, Bureau of Census

[2] U.S. Department of Commerce, Bureau of Economic Analysis

[3] State Departments of Education and Higher Education

[4] State Department of Employment and Training

N/A Not available at this date.

STATE OF MARYLAND

Schedule of Property Value and Bank Deposits

Last Ten Fiscal Years

(Expressed in Thousands)

Fiscal Year	Bank Deposits[1]	Property Value[2]			
		Commercial	Residential	Agricultural	Nontaxable
1988	N/A	$36,760,648	$98,311,457	$3,514,899	$27,105,760
1987	$33,925,532	32,570,572	89,388,948	3,328,419	25,990,869
1986	30,902,272	28,675,092	82,618,032	3,126,899	24,146,836
1985	23,040,970	25,326,427	75,323,707	3,081,330	22,602,093
1984	19,874,912	22,787,607	67,645,737	2,909,553	20,992,266
1983	15,879,000	20,438,543	60,083,363	2,741,094	19,489,301
1982	13,831,000	18,742,865	53,639,482	2,553,991	16,868,085
1981	13,462,000	17,348,890	49,036,259	2,448,932	16,808,511
1980	12,727,000	16,929,467	46,452,163	2,390,304	15,235,589
1979	11,703,000	15,119,637	39,887,306	2,250,561	14,539,843

Sources:
[1] First National Bank of Maryland
[2] State Department of Assessment and Taxation
N/A Not available at this date.

STATE OF MARYLAND

Schedule of Miscellaneous Statistics

June 30, 1988

Date of Ratification	1788
Form of government	Legislative—Executive—Judicial
Miles of State Highways	5,241
Land Area	9,874 square miles
State Police Protection:	
Number of Stations	22
Number of State Police	1,670
Higher Education (Universities, Colleges and Community Colleges):	
Number of campuses in State	32
Number of educators	6,953
Number of students	248,074
Recreation:	
Number of State Parks	44
Area of State Parks	81,796 acres
Fores	107,931 acres
Employees	90,657

Source: General Accounting Division, State Comptroller's Office

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